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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

RAMBUS INC.,

Plaintiff,

vs.

HYNIX SEMICONDUCTOR INC., et al.,

Defendants.

Case No. C 05-00334 RMW

RAMBUS INC.,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., et
al

Defendants.

Case No. C 05-02298 RMW

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW WITH
RESPECT TO SAMSUNG'S COUNTS I-
III AND ESTOPPEL DEFENSE**

[REVISED REDACTED]

These Findings of Fact and Conclusions of Law concern the court trial of that portion of the dispute between Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., Samsung Semiconductor, Inc. and Samsung Austin Semiconductor, L.P. (collectively "Samsung") and Rambus Inc. ("Rambus") based upon the allegations set forth in Counts I-III of Samsung's Counterclaims against Rambus in Action Nos. C-05-00334 RMW and C-05-02298 RMW. Samsung alleges that: (1) Rambus breached § 3.8 of the SDR/DDR IC and SDR/DDR Memory Module Patent License Agreement Between Rambus, Inc. and Samsung Electronics Co., Ltd. ("2000 SDR/DDR License," "License" or "Agreement") by failing to notify Samsung of

1 the more favorable license rate it gave to Infineon and by refusing to provide that rate to
 2 Samsung (Count I); (2) Rambus breached § 8.5 by failing to negotiate in good faith an extension
 3 of the License (Count II); and (3) Rambus breached the covenant of duty of good faith and fair
 4 dealing implied in the License by failing to adjust the royalty rate paid by Samsung under the
 5 License to match the lower effective royalty rate provided for in the Rambus/Infineon License
 6 and by failing to negotiate an extension in good faith (Count III).

7 These Findings of Fact and Conclusions of Law also cover Samsung's affirmative defense
 8 of equitable estoppel whereby Samsung asserts that Rambus is equitably estopped from taking
 9 actions against Samsung that are inconsistent with the Rambus/Infineon license.

10 The evidentiary portion of the trial was conducted by the court beginning on September 22,
 11 2008 and concluding on October 1, 2008. These Findings of Fact and Conclusions of Law are
 12 based on the evidence received during that trial which included, by stipulation, the relevant
 13 evidence admitted in the prior jury trial of monopolization and related claims brought by the
 14 Hynix, Micron, and Nanya entities against Rambus. *Hynix Semiconductor Inc. v. Rambus Inc.*;
 15 *Rambus Inc. v. Hynix et al.*; *Rambus Inc. v. Micron Technology et al.*, Nos. C-00-20905 RMW,
 16 C-05-00334 RMW, C-06-00244 RMW ("Coordinated Jury Trial"). The jury verdict was
 17 rendered on March 26, 2008.

18 FINDINGS OF FACT

19 A. Chronology

20 1. Rambus was founded in 1990 by two professors, Dr. Michael Farmwald and
 21 Dr. Mark Horowitz, who had been working together to address the increasing gap between
 22 microprocessor performance and DRAM performance. Jury Tr. at 4079:8-4081:24, 4091:9-
 23 4095:10, 5489:23-5490:3.¹

24 2. On April 18, 1990, Drs. Farmwald and Horowitz filed a patent application, serial
 25 number 07/510,898 ("the '898 application"), containing numerous claims relating to their efforts
 26 to solve this performance gap problem. Exh. 5131.

27
 28 ¹ References herein to "Jury Trial Tr." refer to the transcript of the Coordinated Jury Trial. References to
 "Trial Tr." refer to the transcript of the September 22, 2008 trial. References to "Exh." refer to admitted
 trial exhibits in either the Coordinated Jury Trial or the September 22, 2008 trial.

1 3. On April 16, 1991, Rambus filed an international patent application pursuant to
2 the Patent Cooperation Treaty (the "PCT application"). Exh. 3583. The PCT application was
3 published on October 31, 1991. The specification contained in the PCT application was identical
4 to that contained in the '898 application and described, according to Rambus, the inventions that
5 are at issue in Rambus's infringement claims against Samsung in the above-captioned actions. *id.*

6 4. On April 7, 1992, Geoff Tate, Rambus's Chief Executive Officer, provided Dr.
7 Yong Park, Samsung's Senior Vice President of Business Development and Product Planning,
8 with a copy of the PCT application. Exh. 10667.

9 5. Rambus received its first issued U.S. patent resulting from the '898 application in
10 September 1993. Exh. 3219. The '898 application resulted in the filing over time of numerous
11 continuation and divisional applications. Exh. 8888. Some of the patents that resulted from this
12 process are at issue in the above-captioned cases but the first of those patents did not issue until
13 January 30, 2001 (U.S. Patent 6,182,184).

14 6. On November 7, 1994, Rambus and Samsung began a business alliance when
15 they entered into an agreement entitled the Semiconductor Technology License Agreement
16 ("RDRAM Agreement"). Exh. 6110. This agreement covered certain intellectual property used
17 in the manufacture and sale of RDRAM devices and required Samsung to pay license fees and
18 several different percentage-of-net-sales royalties. *Id.* § 4.2(a).

19 7. In 1996, Intel announced that it planned to endorse "Rambus-2," a next generation
20 version of Rambus's proprietary DRAM technology (later known as Direct RDRAM). Jury Tr. at
21 3000:18-3003:11.

22 8. In 1996 and early 1997, Rambus and Samsung renegotiated the 1994 RDRAM
23 Agreement resulting on February 7, 1997 in the execution of Addendum No. 1 to Semiconductor
24 Technology License Agreement to cover Rambus's next-generation memory technology, Direct
25 RDRAM. Trial Ex. 4201.

26 9. As of 2000, Rambus described its goal to establish Rambus DRAM as the
27 dominant memory in the industry as "[o]ur #1 priority." Trial Ex. 4009 (Hitachi Settlement
28 Q&A) at 6; Trial Tr. at 740:1-6 ("We wanted RDRAM to be as successful as possible in 2000" . .
..), 740:19-741:1 ("... that would make it the most dominant memory if it were to be the most

1 successful. . . ."), 741:2-24 ("... we continued to work hard to make RDRAM successful.").

2 10. At that time, Samsung was the top supplier of RDRAM memory devices and
3 accounted for more total RDRAM sales than the next three suppliers combined. Trial Tr. at
4 195:2-15, 739:15-25, 740:11-18; Trial Ex. 3209 (Summary of Worldwide DRAM Sales, 1996-
5 2006).

6 11. On July 25, 2000 representatives of Rambus and Samsung first met to discuss a
7 potential license covering SDR and DDR products. Exh. 4204.

8 12. On August 8, 2000 Rambus initiated patent infringement litigation against
9 Infineon Technologies, Inc. ("Infineon") in which Infineon's defenses included unclean hands for
10 alleged spoliation of documents. Exh. 4264.

11 13. On October 27 and October 31, 2000, Rambus and Samsung respectively signed
12 the 2000 SDR/DDR License. Exh. 4226. The SDR/DDR License had an effective date of July 1,
13 2000 and a five-year term extending through June 30, 2005. *Id.* §§ 1.1, 8.1. It included a most
14 favored licensee provision, a provision for the audit of Samsung's sales for royalty payment
15 verification purposes, and an agreement to negotiate an extension or new agreement in good
16 faith. *Id.* §§ 3.8, 4.1 and 8.5. In an On October 27 and October 31, 2000, Rambus and Samsung
17 respectively signed the 2000 SDR/DDR License. Exh. 4226. The SDR/DDR License had an
18 effective date of July 1, 2000 and a five-year term extending through June 30, 2005. *Id.* §§ 1.1,
19 8.1. It included a most favored licensee provision, a provision for the audit of Samsung's sales
20 for royalty payment verification purposes, and an agreement to negotiate an extension or new
21 agreement in good faith. *Id.* §§ 3.8, 4.1 and 8.5. In an e-mail dated October 31, 2000 from Jay
22 Shim, Samsung's chief negotiator, to Neil Steinberg, Rambus's chief negotiator, Mr. Shim
23 advised that Samsung had executed the Agreement but that he was working on a post-execution
24 amendment, as they had discussed, to revise the wording of Section 8.5 to address a most
25 favorable royalty condition in an extension or new agreement. Exh. 4227.

26 14. On November 7, 2000, Mr. Shim sent an "amendment proposal" to Steinberg
27 via email. Exh. 4230 at 1. On November 21, 2000, Mr. Steinberg sent an email responding to
28 Mr. Shim's proposed Amendment. Exh. 4232 at 1. Neither of these proposed amendments to the
2000 SDR/DDR License was ever signed or assented to by the parties. Trial Tr. at 248

1 (testimony of J. Shim).

2 15. In July 2001 the parties did negotiate and execute an amendment regarding
3 renewal of their Agreement. Exh. 4240 (Amendment No. 1). As executed, this amendment
4 imposed an obligation on Rambus to negotiate a renewal agreement "solely and exclusively" with
5 respect to "Licensed Products," as that term was defined under the SDR/DDR License. Exh.
6 4240 ¶ 1 ("This Amendment No. 1 relates solely and exclusively to SDR SDRAM, SDR
7 SGRAM, DDR SDRAM and DDR SGRAM as defined in the Agreement . . ."). Rambus signed
8 Amendment No. 1 on July 10, 2001, and Samsung signed on July 18, 2001. Exh. 4240.
9 Amendment No. 1 provided, among other things, that if Rambus licensed Infineon, it could
10 terminate the Amendment on 10 days notice. *Id.*

11 16. In December 2003, Rambus notified Samsung that Rambus would be conducting
12 a royalty audit pursuant to Section 4.1 of the SDR/DDR License. Trial Tr. at 256:6-14.

13 17. By at least July 2004, Rambus pressed Samsung to begin renewal negotiations for
14 a license that would replace or follow the expiration of the SDR/DDR License.

15 18. Samsung and Rambus representatives met on July 9, 2004 in Korea (Trial Tr.
16 at 259:3-17, 945:22-946:6) but Mr. Shim's position on behalf of Samsung was that there was "no
17 need to rush." *Id.* at 951:13-952:21.

18 19. On January 25, 2005, Rambus sued Hynix, Infineon, Nanya, and Inotera
19 Memories, Inc. for infringement of certain Rambus patents. Case No. 05-00334 RMW ("334
20 case").

21 20. On February 20, 2005, Mr. Blumberg, Vice President of Licensing for Rambus
22 and Rambus's chief negotiator at the time, sent an offer for renewal to Mr. Shim. Trial Tr. at
23 950:13-22; Exh. 4263 (hereinafter the "February 20 Renewal Offer").

24 21. On March 21, 2005, Rambus and Infineon executed a Settlement and License
25 Agreement resolving the litigation between them. Exh. 4264 (Infineon Settlement and License
26 Agreement). The settlement was favorable to Infineon because the judge presiding over the case
27 had announced his intent to dismiss it based upon Rambus's alleged unclean hands (spoliation of
28 documents).

22. Samsung requested that Rambus make the Infineon royalty rate effective for

1 Samsung under Section 3.8 of the 2000 SDR/DDR Agreement, but Rambus refused. 1014:12-18
2 ("Mr. Shim said he wanted the Infineon deal and you said no; isn't that true? At that time, that is
3 true.").

4 23. On March 22, 2005 Rambus notified Samsung that it was terminating
5 Amendment No. 1. Exh. 4265 (Letter from I. Blumberg to Samsung re: Notice of termination of
6 Amendment No. 1 to the SDR/DDR IC and SDR/DDR Memory Patent License Agreement
7 ("Amendment"), dated Mar. 22, 2005) ("I am sending this notice of termination pursuant to
8 Section 7 of the Amendment. This letter is that notice of termination and the Amendment shall
9 terminate automatically ten days after this notice."). Ten days thereafter, the relationship between
10 Samsung and Rambus with respect to SDRAM and DDR SDRAM memory devices was again
11 governed by the 2000 SDR/DDR License.

12 24. On April 1, 2005 Mr. Blumberg wrote to Mr. Shim and withdrew Rambus's
13 February 20 Renewal Offer. Exh. 4268.

14 25. On May 18, 2005, Mr. Blumberg sent a further proposal to Mr. Shim. In this
15 proposal, Blumberg suggested the parties workout a one year standstill agreement. Exh. 4271.
16 He advised that "[c]onclusion of such an agreement before July 1 remains a top priority for
17 Rambus." *Id.* Blumberg set forth a series of specific terms for a one year standstill.

18 26. On June 3, 2005, Mr. Shim responded with Samsung's standstill offer. Exh. 4273;
19 Trial Tr. at 968:10-13. No standstill or other agreement was ever successfully negotiated.

20 27. On June 6, 2005 Rambus terminated the 2000 SDR/DDR Agreement citing
21 Samsung's "failure to comply with the auditing provisions of Section 4[.]" Trial Tr. at 304:5-14;
22 305:5-8; Trial Ex. 4276 (Letter from J. Danforth to J. Shim, dated June 6, 2005) ("[d]espite
23 having ample opportunity to cure since receiving written notice, Samsung still has not complied
24 with these auditing provisions. This letter is to inform you that in view of Samsung's continued
25 breach and failure to cure . . . Rambus hereby immediately terminates the SDR/DDR License
26 Agreement."). Rambus filed its First Amended Complaint in the '334 case on June 6, 2005,
27 asserting the same patents as in the original complaint but adding Samsung as a defendant. On
28 June 6, 2005, Rambus also sued Samsung in a separate suit alleging infringement of certain
Rambus patents. Case No. 05-02298 RMW ("2298 case").

B. Factual Findings on Specific Claims

1. Section 3.8 of the SDR/DDR License Was Triggered by the Rambus/Infineon Settlement Agreement

The parties dispute whether Section 3.8 of the SDR/DDR License was triggered by the Rambus/Infineon Settlement Agreement obligating Rambus to give Samsung the benefit of a royalty rate calculated in accordance with the Rambus/Infineon Settlement Agreement which provided for Rambus to receive a lump-sum payment in installments. The court makes the following factual findings relevant to that issue.

a. Rambus represented in the 2000 SDR/DDR License its intent with respect to licensing manufacturers then in litigation with Rambus:

WHEREAS, Rambus represents that, after November 1, 2000, the royalty rates offered to any semiconductor memory manufacturer which is currently in litigation with Rambus for infringement of any Rambus Patent, as defined herein, shall be the standard royalty rates and such standard royalty rates are higher than the royalty rates set forth in Section 3.1(b) of this Agreement; and

WHEREAS, Rambus further represents that royalty rates offered after January 1, 2001 to all prospective licensees shall be such standard royalty rates.

Exh. 4226 (2000 SDR/DDR Agreement) p. 2.

b. Rambus specifically extended most favored licensee protection to Samsung in the SDR/DDR License:

3.8 If at any time during this Agreement, the royalty rate agreed to be paid or ordered to be paid by a Third Party, whether by settlement or by court or agency order, for products corresponding to SDR SDRAM, SDR SGRAM, DDR SDRAM, or DDR SGRAM is lower than that specified in Section 3.1(b) of this Agreement, Rambus shall notify Samsung, in writing, within ten (10) days of the effective date of such lower royalty rate and such lower royalty rate shall be effective for this Agreement the first day of the royalty reporting period in which written notice by Rambus is made. If the lower royalty rate is limited geographically due to a court or agency order, then Samsung's lower royalty rate shall be similarly limited to sales in the same geographic area. Should, by agreement, subsequent order, or amendment, modification, or reversal of the court or agency order (whether on appeal or otherwise), the lower royalty rate of any litigant change, then the royalty for Samsung shall change correspondingly, but not to exceed the rates specified in Section 3.1(b).

Id. § 3.8 (Emphasis added).

c. The negotiation of the parties leading up to the execution of the SDR/DDR License shows the importance to Rambus of the License and Rambus's unconditional assurance to Samsung of most favored licensee status.

1 i. During the course of the negotiations, Mr. Shim, representing Samsung,
2 and Mr. Steinberg, representing Rambus, served as the primary negotiators of the 2000
3 SDR/DDR Agreement. Trial Tr. at 211:12-20, 383:14-385:5.

4 ii. At the parties' July 25, 2000 meeting, Rambus told Samsung that it was
5 "a valuable and very good partner," and that Samsung was "in an excellent position to secure the
6 most favorable terms" if it signed the SDR/DDR License quickly. Trial Ex. 4024 at 2-3; Trial Tr.
7 at 205:22-206:15, 703:25-704:18.

8 iii. Mr. Steinberg stressed the importance of the Samsung/Rambus
9 relationship, and he emphasized that Rambus wished to continue that relationship and grow and
10 prosper with Samsung. Trial Tr. at 205:22-206:3.

11 iv. On August 10, 2000, Mr. Steinberg sent Rambus's first draft of the
12 License to Mr. Shim. Trial Ex. 4208 (Email from N. Steinberg to J. Shim, dated Aug. 10, 2000);
13 Trial Tr. at 206:24-207:14.

14 v. The August 10, 2000 draft agreement did not contain a most favored
15 licensee provision or recitals stating that future licensees would be offered standard royalty rates
16 that would be higher than Samsung's royalty rates. Trial Ex. 4209 (Draft - SDR/DDR Patent
17 License Agreement between Samsung and Rambus); Trial Tr. at 208:3-16.

18 vi. On September 13, 2000, Geoff Tate, Rambus's Chief Executive Officer,
19 sent an updated negotiation schedule to Samsung's Y.W. Lee and assured him that entering the
20 agreement "will give Samsung the best possible terms and will result in Samsung having a
21 competitive advantage over those who have sued us rather than negotiate." Exh. 4212 (Email
22 from G. Tate to Y.W. Lee, dated Sept. 14, 2000).

23 vii. On October 6, 2000, Mr. Shim sent Samsung's Term Sheet Proposal
24 to Rambus, which contained proposals for, *inter alia*: (1) "[a] provision specifying that in the
25 event the Rambus Patents are held to be unenforceable against any third party, it is agreed that
26 they (Rambus Patents) are unenforceable against Samsung"; (2) "[a] provision specifying that in
27 the event the Rambus Patents are held to be expressly or impliedly licensed based on Rambus's
28 activities as a member of JEDEC, it is agreed that Samsung's royalty rates shall be the lower of
that agreed to in the Agreement or that ordered by a court or an agency"; and (3) "[a] Most

1 Favorable Nations Clause in which Samsung is guaranteed to (i) the lowest possible royalty rates
2 and fees among all licensees, and (ii) a right to amend the royalty terms of the Agreement in the
3 event a court decision or an out-of-court settlement renders, after the execution of the
4 Agreement, lower royalty terms than agreed to, wherein such new lower royalty terms shall apply
5 to Samsung retroactively and Rambus shall refund the difference therein." Exh. 4214. The Term
6 Sheet Proposal also included a recital stating that following the execution of the Agreement with
7 Samsung higher royalty terms would take effect for any future third party licensees. *Id.*; see Trial
8 Tr. at 215:5-19 (the MFL provision was an "essential condition" to Samsung).

9 viii. On October 11, 2000, Rambus revised the draft agreement, adding,
10 *inter alia*, most favored licensee protections and a representation that the royalty rates offered to
11 future licensees then in litigation with Rambus would be standard royalty rates higher than those
12 in the 2000 SDR/DDR Agreement. Exh. 4217 (Redline comparing Oct. 11th and Oct. 16th drafts
13 of the 2000 SDR/DDR Agreement); Trial Tr. at 428:22-429:1.

14 ix. On October 16, 2000, Mr. Shim requested revisions to the October 11
15 draft agreement, including an elaboration of the draft most favored licensee language to be in a
16 new section 3.8 with subparts (a) through (e) that specifically addressed, *inter alia*: a lower
17 "royalty paid by a Third Party, whether by settlement or by court or agency order"; either "no
18 royalty or a royalty based on a lower royalty rate" "[s]hould a court or agency of competent
19 jurisdiction make a determination that the Rambus Patents in suit are not enforceable or are
20 invalid"; and a method for adjusting royalty terms "should any Third Party be granted a license
21 on the basis of consideration other than a running royalty (for example, a lump sum)." Exh. 4215
22 at 4-5. Mr. Shim's proposal did not expressly address flat royalty payments payable on a
23 quarterly basis.

24 x. Later the same day, Mr. Steinberg responded without addressing the
25 issue of "a lump-sum" royalty and stated that he had amended the most favored licensee
26 provisions "to provide language expressing the fundamental intent of Section 3.9 that Samsung
27 not be put at a competitive disadvantage as a result of entering into the Agreement." Exh. 4216 at
28 2.

xi. Along with his e-mail, Mr. Steinberg enclosed a draft that, among

1 other things: (a) contained a most favored licensee provision that did not explicitly cover licenses
2 granted in settlements or pursuant to court or agency order; and (b) contained limited most
3 favored licensee protection related to Rambus's participation in JEDEC. Exh. 4408 (Draft -
4 SDR/DDR Patent License Agreement between Samsung and Rambus, dated Oct. 16, 2000); Exh.
5 4217 (Redline - SDR/DDR Patent License Agreement between Samsung and Rambus, dated Oct.
6 16, 2000).

7 xii. The October 16, 2000 draft agreement amended Section 3.9 to
8 include: "If at any time during the term of this Agreement, the parties desire to discuss the royalty
9 rate to be applied . . . pursuant to this Section 3.9, the parties shall meet to negotiate in good faith
10 with a view to determining a mutually satisfactory prospective royalty rate so that Samsung is not
11 at a competitive disadvantage relative to any Third Party." Exh. 4217 (Redline - SDR/DDR
12 Patent License Agreement between Samsung and Rambus, dated Oct. 16, 2000) (emphasis
13 added) at 19.

14 xiii. The October 16, 2000 draft agreement also included an additional
15 WHEREAS clause representation that higher standard royalty rates would be offered "to all
16 prospective licensees" after January 1, 2001. *Id.* at 2.

17 xiv. On October 17, 2000, Mr. Tate sent an email to Mr. Y.W. Lee urging
18 Samsung to "sign now" and stating that he believed Rambus had met most of Samsung's
19 requests, including "most favored royalty rate" and a "commitment that Samsung won't be at a
20 competitive disadvantage as a result of the outcome of pending litigation." Exh. 4218.

21 xv. In his October 17 email to Samsung, Mr. Tate wrote "[a]s you know
22 we are in court with [Hynix], Micron and Infineon. We expect to win our legal battles with them
23 although we don't control the schedule of the courts. When these companies choose to negotiate
24 license terms with us we will charge them substantially higher license fees and royalty rates." *Id.*

25 xvi. Mr. Tate also wrote to Mr. Y.W. Lee, in the October 17 email,
26 "Samsung and Rambus have enjoyed a very positive relationship the last several years, especially
27 since you have become directly involved with us. I know I have a high degree of personal trust
28 in you; and I hope you as well feel that during our relationship that my actions have followed up
on my commitments." *Id.*

1 xvii. On October 21, 2000, Mr. Steinberg sent Mr. Shim a revised
2 agreement, executed by Rambus and dated October 20, 2000, and urged Samsung to "take[] this
3 opportunity to gain a long term competitive advantage over several of its fiercest competitors!"
4 Exh. 4222.

5 xviii. The October 20 draft agreement removed the prior most favored
6 licensee language in Sections 3.8-3.10, and substituted broader language similar to Mr. Shim's
7 proposed 3.8(a) and 3.8(b). Exh. 4221 (Redline - SDR/DDR Patent License Agreement between
8 Samsung and Rambus, dated Oct. 20, 2000) at 18-19.

9 xix. On October 27, 2000, Mr. Steinberg sent an executed copy of the
10 final agreement to Mr. Shim. Exh. 4224.

11 xx. On October 31, 2000, the Agreement was fully executed by Jon Kang,
12 Vice President of Samsung Electronics, Co., Ltd. Exh. 4226.

13 xxi. On November 2, 2000 Mr. Tate assured Samsung that it "now has the
14 best deals on both RDRAM and SDRAM/DDR SDRAM." Exh. 4229.

15 xxii. The negotiating history of the final contract language in Section 3.8
16 demonstrates that the parties intended to cover different types of royalty rates, including a flat,
17 periodic royalty (e.g., an amount per calendar quarter). This is evident from, among other things,
18 the parties' discussion that Samsung would not suffer competitive harm if it accepted a license,
19 that all licensees would receive standard "royalty rates," and that the most favored licensee
20 provisions would also cover any "royalty rate," even if it arose from a litigation settlement. Trial
21 Tr. at 228:14-229:23.

22 d. Rambus's argues that the terms of Amendment No. 1 executed in July 2001
23 supports its argument that the parties only intended section 3.8 to cover "running royalties" and
24 did not intend to cover "a lump sum" as provided in the Rambus/Infineon settlement because the
25 parties expressly addressed "a lump sum" in the context of Amendment No. 1's provision
26 regarding a duty to negotiate a license renewal. Exh. 4240. The argument is not persuasive. The
27 2001 Amendment was negotiated under different circumstances and at a different time, and it
28 does not address the meaning of "royalty rate" (including in the context of the most favored
licensee provision) or its application to flat payments, each one of which is payable on a quarterly

1 basis. More importantly, the extrinsic evidence unequivocally shows that Rambus assured
2 Samsung that no third party would get a better deal on the use of Rambus's DDR/SDR
3 technology than Samsung as Rambus desperately wanted and needed a deal with Samsung.

4 e. Other extrinsic evidence supports Rambus's intent to provide broad
5 most favored licensee protection to Samsung.

6 i. The customary meaning of the term "royalty rate" in patent
7 licenses includes various types of royalty payment structures, including a percentage of net sales,
8 a periodic, flat payment or variable flat payment per unit of time (e.g., \$5.85 million per calendar
9 quarter, subject to a cap, at which point the rate becomes \$0 per quarter until a triggering event
10 occurs). Trial Tr. at 193:9-20, 579:2-582:1.

11 ii. When comparing licensing terms, it is common in a wide variety of
12 industries, including with respect to patent licensing, to compare a running royalty with a
13 periodic, lump-sum royalty by calculating an effective royalty rate or by simply comparing the
14 lump sum amounts due on a quarterly basis for various types of royalty structures. Trial Tr. at
15 193:21-194:7, 614:3-616:3.

16 iii. Rambus used the terms "rate" and "royalty rate" when referring to
17 flat quarterly royalty payments, both in its contracts and in its license negotiations. *See*, e.g.,
18 Exh. 4245 (Email from D. Mooring to J. Huang, dated Mar. 15, 2004) ("A discounted royalty
19 rate [probably a flat quarterly payment] until a trigger event [REDACTED]
20 [REDACTED]; Exh. 4244 (Email from D. Mooring
21 to J. Huang, dated Mar. 9, 2004) ("A royalty rate that starts out with a discounted, flat quarterly
22 payment for two years, and then moves to Rambus's standard royalty rates with certain 'most
23 favored' customer rates"); Exh. 4246 (Email from D. Mooring to D. Orton, dated Mar. 8, 2004)
24 (same); Exh. 4249 (Amendment No. 2 to Elpida-Rambus Patent License Agreement, dated June
25 5, 2004 includes Rambus's Amendment No. 2 to its Patent License Agreement with Elpida,
26 executed on June 5, 2004, [REDACTED]
27 [REDACTED]
28 [REDACTED]

iv. The Infineon Settlement and License Agreement itself refers to the

1 payments owed to Rambus under that agreement as either a "royalty" or "royalties." Exh. 4264
 2 (Infineon Settlement and License Agreement) Arts. 9.1(b) ("If there is an Assignee License
 3 Agreement, then Rambus and the Successor Entity shall negotiate, diligently and in good faith,
 4 an appropriate [REDACTED]. . . . If within [REDACTED] and
 5 the [REDACTED] do not reach agreement on the [REDACTED]
 6 [REDACTED] 9.1(b)(1) ("Distribution of a [REDACTED]
 7 [REDACTED] should not obligate the [REDACTED] to [REDACTED] under both [REDACTED] above
 8 and under the terms of the Assignee License Agreement."), 9.1(b)(3) ("Rambus should be able to
 9 [REDACTED], with respect to [REDACTED]
 10 [REDACTED] that would be payable if
 11 there were no Assignee License Agreement."), 9.1(b)(5) ("For example, [REDACTED]
 12 [REDACTED] provided for payment to Rambus of [REDACTED] for the right to
 13 make and sell up to [REDACTED], then Rambus would retain this [REDACTED]
 14 [REDACTED], but there would be [REDACTED] of the [REDACTED]
 15 [REDACTED] 9.4(b) ("If there is a [REDACTED]
 16 [REDACTED] then Rambus and the Successor Entity shall negotiate, diligently and in good faith,
 17 an appropriate [REDACTED] 9.4(b)(3) ("Rambus should be able to [REDACTED]
 18 [REDACTED], with respect to [REDACTED]
 19 [REDACTED], to the extent such [REDACTED] that would be payable if there were no
 20 [REDACTED] 9.4(b)(5) (" . . . Rambus would retain this [REDACTED]
 21 [REDACTED] there would be [REDACTED] of the [REDACTED]
 22 [REDACTED], and 11.2 ("Prompt adjustment shall be made by Infineon to compensate for
 23 any errors and/or omissions disclosed by such examination or audit which result in an
 24 underpayment of *royalties* hereunder")(Emphasis added).

25 v. In Rambus and Infineon's Settlement and License Agreement executed
 26 on March 21, 2005 resolving their patent infringement litigation Rambus granted Infineon a
 27 license under all of its existing patents and pending applications for the products set forth in
 28 Section 3.8 of the 2000 SDR/DDR Agreement, as well as other products. Exh. 4264, 4 at § 1.8
 (Memory IC); 3 at § 1.6 (Infineon Licensed Products); 5 at § 2.2 (Scope of License). In

1 exchange, Infineon agreed to pay a variable royalty rate, which typically was \$5.85 million per
2 quarter up to a total royalty cap of \$50 million, at which point it became \$0 per quarter unless
3 and until a new triggering event occurred. *Id.* at 12; Exh. 4265 (Facsimile from I. Blumberg to J.
4 Shim, dated Mar. 22, 2005, attaching Press Release regarding Rambus-Infineon Settlement) at 3;
5 Trial Tr. at 587:7-18, 603:4-11. The Infineon Settlement and License Agreement contains a
6 provision (i.e., Article 6) that on its face contains the amounts agreed to be paid by Infineon. Exh.
7 4264 Art. 6; Trial Tr. at 606:2-607:2. Other terms of the agreement demonstrate that the
8 quarterly payment obligation in Article 6 was the basis used by the parties to determine Infineon's
9 royalty obligation. Exh. 4264 Art. 2.3; Trial Tr. at 607:3-25. For example, Article 2.3 is a most
10 favored licensee provision granted to Infineon, [REDACTED]
11 [REDACTED]. *Id.* Likewise, multiple provisions of the
12 agreement refer to the quarterly payment obligation as a royalty. Exh. 4264 Arts. 9.1(b),
13 9.1(b)(1), 9.1(b)(3), 9.1(b)(5), 9.4(b), 9.4(b)(3), and 11.2.

14 vi. In their joint press release created pursuant to the terms of the Infineon
15 Settlement and License Agreement, the parties described the quarterly payments agreed to be
16 paid by Infineon as the consideration granted "in exchange" for the license grant to Infineon, and
17 described the various dismissals and releases as "in addition to" these payments. *Id.*

18 vii. Rambus admitted in various filings with the Securities and Exchange
19 Commission that the Infineon Settlement and License Agreement contained a royalty rate in the
20 form of Infineon's quarterly payment obligation. Exh. 4450 (Rambus Inc. S.E.C. Form S-3/A,
21 dated May 11, 2005) at 7 ("[A]ll licenses provide that Infineon will be treated as a 'most-favored
22 customer' of ours which could result in Infineon's US \$5.85 million quarterly payment being
23 reduced if future Rambus licensees receive a lower royalty rate."); *id.* at 11 ("Failure to achieve
24 positive results in litigation will also result in a failure to trigger certain contractual provisions
25 which would convert certain flat rate royalty arrangements to per unit royalties. Any or all of
26 these adverse results could cause a substantial decline in our revenues."); *id.* at 13 ("...require
27 Infineon to pay us up to an additional \$100 Million in royalty payments."); Exh. 4451 (Rambus
28 Inc. S.E.C. Form 10-Q, dated May 9, 2006) at 39 ("Our license with Infineon, which was part of
our settlement, provides for the extension of certain benefits under that license to a successor in

1 interest that, under certain conditions, acquires all of Infineon's DRAM operations. If such an
2 acquisition were to occur, such successor would be entitled to the extension of such benefits,
3 including the ability to pay a royalty calculated by multiplying the Infineon rate by the percentage
4 increase in DRAM volume represented by the successor company's combined operations. Such
5 an extension of benefits could also make it more difficult for us to obtain the royalty rates we
6 believe are appropriate from the market as a whole. Such an extension of benefits would, in
7 addition, also operate to extend a release of claims to such successor, thus reducing the number
8 of companies to which we believe we are entitled to look for compensation for the antitrust
9 injury alleged by us in our pending San Francisco antitrust action."); *id.* at 46 ("... require
10 Infineon to pay us up to an additional \$100 Million in royalty payments.") and 47 ("... Infineon
11 will be required to make additional royalty payments to us which may aggregate up to \$100.0
12 million.").

13 g. Samsung's initial royalty rates, which were expressly subject to section 3.8 of
14 the SDR/DDR License, were calculated by multiplying Samsung's net sales of Licensed Products
15 by certain percentages (which ranged from .75% to 3.5% for SDR or DDR SDRAM). Exh. 4226
16 at § 3.1. Notably, Samsung's royalty payments were due on a calendar quarter basis and therefore
17 could be readily compared to different types of royalty structures that were likewise due on a
18 quarterly basis. *Id.* at § 4.2; Trial Tr. at 614:3-616:3. Infineon's quarterly payment obligation
19 was far lower than Samsung's quarterly payment obligation under Section 3.1 of the 2000
20 SDR/DDR Agreement. Samsung's quarterly payment obligation for the second quarter of 2005
21 would have been \$46.58 million, which is eight times larger than Infineon's regular quarterly
22 payment obligation of \$5.85 million. Trial Tr. at 614:3-616:23.

23 h. Infineon received benefits for the royalty rate it agreed to pay beyond those to
24 which Samsung was entitled to under Section 3.8 because Infineon's license term (life of the
25 patents rather than five years) and product coverage (which covered essentially all of Infineon's
26 memory products) were broader than Samsung's license. Exh. 4264 (Infineon Settlement and
27 License Agreement) Arts. 1.8, 5.1; Exh. 4226 (2000 SDR/DDR Agreement) §§ 1.2-1.10, 3.8, 8.1.

28 i. Infineon also received a release of liability for past infringement, as well as a
general release of all claims by Rambus, including antitrust, unfair competition, conspiracy, and

1 competition-based claims. Exh. 4264 (Infineon Settlement and License Agreement) Art. 4.1.
2 These factors also demonstrate how much more Infineon received than Samsung in exchange for
3 the royalty rate it agreed to pay.

4 j. Because Infineon received substantially more in exchange for the royalty rate it
5 agreed to pay, Rambus would not have been under-compensated if it had made Infineon's royalty
6 rate effective for Samsung pursuant to its rights under section 3.8 of its SDR/DDR Agreement
7 with Rambus. Trial Tr. at 617:17-619:11 ("... given those assumptions ... that Infineon had
8 more products, longer period of time, and more patents, I knew I was not underestimating the
9 relative comparison of the Samsung payments to the Infineon payments.").

10 k. Samsung requested that Rambus make the Infineon royalty rate effective under
11 Section 3.8 of the 2000 SDR/DDR Agreement, but Rambus refused. Exh. 4268 (Letter from I.
12 Blumberg to J. Shim, dated Apr. 1, 2005) at 2; Trial Tr. at 961:2-6 ("I told Mr. Shim that the
13 Infineon Agreement involved a lump sum payment and that there was no royalty rate that would
14 be comparable in any way or that would trigger Section 3.8 of that 2000 Agreement"),
15 1014:12-18 ("Mr. Shim said he wanted the Infineon deal and you said no; isn't that true? At that
16 time, that is true."), 1021:2-8 ("I explained that there weren't any rates involved.").

17 l. Rambus informed Samsung that the Infineon Settlement and License
18 Agreement did not contain a "royalty rate" because Infineon had agreed to pay a flat, quarterly
19 payment as opposed to a variable payment based on a percentage of net sales. Trial Tr. at
20 961:2-6, 1021:2-8.

21 m. The evidence clearly establishes by more than a preponderance of the
22 evidence that Section 3.8 of the SDR/DDR License was triggered by the Rambus/Infineon
23 Settlement Agreement and that Rambus failed to fulfill its obligations to Samsung under Section
24 3.8.

25 **2. The 2000 SDR/DDR License Did Not Cover DDR2 SDRAM and Subsequent**
26 **Product Generations**

27 Rambus and Samsung dispute whether the SDR/DDR License granted Samsung a
28 license under certain Rambus patent claims to make and sell DDR2 SDRAM, GDDR3 SDRAM,
and subsequent generations of products. The court finds as follows with respect to that dispute.

1 a. The SDR/DDR License granted Samsung a license under certain Rambus
2 patent claims to make and sell a specifically defined set of "Licensed Products." Exh. 4226, §

3 1.2. The term "Licensed Product" is defined under the License:

4 1.7 "DDR SDRAM(s)" means the following current double data rate
5 synchronous dynamic random access memory devices of Samsung, part numbers
6 K4H280438B, K4H280838B, K4H281638B, K4H560438B, K4H560838B,
7 K4H561638B, K4D62323HA, and K4D26328M. A copy of Samsung's data sheet
8 for each of the above-identified part numbers will be provided by Samsung no
9 later than November 24, 2000, made Exhibit 3 to this Agreement, and hereinafter
10 referred to as "DDR SDRAM Data Sheets." "DDR SDRAM" further includes any
11 double data rate synchronous dynamic random access memory device having (1)
12 the primary function of information storage and (2) a specification (as set forth in
13 the data sheet for the device) identical to any specification found in any one of the
14 DDR SDRAM Data Sheets. "DDR SDRAM" additionally includes any future
15 double data rate synchronous dynamic random access memory device which is
16 identical to any device identified by the above part numbers but may have [1] a
17 different package type, [2] different die size, [3] different burst type, [4] different
18 clock frequency, [5] different programmable latency, [6] different programmable
19 burst length, [7] different memory storage capacity, [8] different number of
20 input/output pins, [9] different timing values for existing parameters (for example,
21 set-up/hold times and propagation delays), [10] different power consumption,
22 and/or [11] different number of banks (as those terms are used in the attached
23 DDR SDRAM Data Sheets) from those set forth in the DDR SDRAM Data
24 Sheets. The parties agree that, if, at the discretion of the customer, a given device
25 has the capability to operate as a (1) SDR SDRAM or SDR SGRAM and (2) DDR
26 SDRAM or DDR SGRAM, that device, for purposes of this agreement, shall be
27 deemed to be DDR SDRAM. The parties agree that each device of the
28 above-identified part numbers is defined exclusively by its attached DDR
SDRAM Data Sheet.

1.8 "DDR SGRAM(s)" means the following current double data rate
synchronous graphics random access memory devices of Samsung, part number
K4D623237M. A copy of Samsung's data sheet for the above-identified part
number will be provided by Samsung no later than November 24, 2000, made
Exhibit 4 to this Agreement, and hereinafter referred to as "DDR SGRAM Data
sheet." "DDR SGRAM" further includes any future double data rate synchronous
dynamic random access memory device having (1) the primary function of
information storage and (2) a specification (as set forth in the data sheet for the
device) identical to any specification found in the DDR SGRAM Data Sheet.
"DDR SGRAM" additionally includes any future double data rate synchronous
dynamic random access memory device which is identical to any device identified
by the above part numbers but may have [1] a different package type, [2] different
die size, [3] different burst type, [4] different clock frequency, [5] different
programmable latency, [6] different programmable burst length, [7] different
memory storage capacity, [8] different number of input/output pins, [9] different
timing values for existing timing parameters (for example, set-up/hold times and
propagation delays), [10] different power consumption, and/or [11] different
number of banks (as those terms are used in the attached DDR SGRAM Data
Sheet) from those set forth in the DDR SGRAM Data Sheet. The parties agree
that the device of the above-identified part number is defined exclusively by its
attached DDR SGRAM Data Sheet.

Id. §§ 1.7, 1.8.

1 b. Section 1.7 of the SDR/DDR License defines the term "DDR SDRAM."
2 Exh. 4226 § 1.7. DDR SDRAM is defined to include eight specific Samsung products, which
3 are identified by their part numbers, "K4H280438B, K4H280838B, K4H2281638B,
4 K4H560438B, K4H560838B, K4H561638B, K4D62323HA, and K4D263238M." *Id.*

5 c. The definition of DDR SDRAM also includes:
6 any future double data rate synchronous dynamic random access memory device
7 which is identical to any device identified by the above part numbers but may
8 have a different package type, different die size, different burst type, different
9 clock frequency, different programmable latency, different programmable burst
10 length, different memory storage capacity, different number of input/output pins,
 different timing values for existing timing parameters (for example, set-up/hold
 times and propagation delays), different power consumption, and/or different
 number of banks (as those terms are used in the attached DDR SDRAM Data
 Sheets) from those set forth in the DDR SDRAM Data Sheets.

11 *Id.*

12 d. Thus, the term "Licensed Products" in the SDR/DDR License encompasses
13 future DDR memory devices only if they are identical to the specific Samsung parts identified by
14 part number in Section 1.7 or differ only in a way described in the eleven allowed differences
15 enumerated in Section 1.7.

16 e. During negotiation of the SDR/DDR License Rambus's proposals only covered
17 narrow sets of specifically identified products. V103 (5/14/2008 Depo. of Charles Donohoe at
18 75:16-20); V102 (2/6/2001 Depo. of Charles Donohoe at 37:8-12, 99:16-100:9) (noting that
19 Rambus "wanted only certain specifically identifiable products to be covered by the agreement").

20 f. Rambus created the initial draft of the SDR/DDR License and sent it to
21 Samsung on August 10, 2000. Exhs. 4208, 4209. Section 1.7 was included in this original draft
22 of the SDR/DDR License in essentially the same form in which it appeared in the final executed
23 SDR/DDR License. Exh. 4209 at 4-5.

24 g. Samsung wanted the license agreement to cover "all products" and to obtain a
25 "complete peace accord with Rambus" so that it did not require "a continuing series of
26 negotiations as new products [came] on the market." V102 (2/6/2001 Depo. of Charles Donohoe
27 at 99:16-100:9); V103 (5/14/2008 Depo. of Charles Donohoe at 75:21-76:9). Rambus would not
28 give Samsung a total "peace accord." Instead, Rambus told Samsung that it did not want the
 license "to cover future DRAM generations." V103 (5/14/2008 Depo. of Charles Donohoe at

1 75:16-20). Samsung's negotiators knew that DDR2 devices were not commercially available at
2 the time the SDR/DDR License was negotiated. Trial Tr. at 222-23 (testimony of J. Shim). In
3 fact, Samsung did not begin manufacturing DDR2 devices until two to three years after the
4 SDR/DDR License was executed. *Id.* at 223 (testimony of J. Shim).

5 h. Even though Samsung's attorneys knew that the company was developing
6 what would later become DDR2 devices at the time they negotiated the SDR/DDR License in
7 2000, and even though they knew that Rambus "did not want [the agreement] to cover future
8 DRAM generations," they never discussed "technical details" with Rambus during the course of
9 the negotiations. Trial Tr. at 357, 361 (testimony of J. Shim).

10 i. During the negotiations, Samsung tried to obtain broader language in Section
11 1.7. On October 16, 2000, Mr. Shim requested a revision of Section 1.7 and other clauses
12 defining the products licensed under the SDR/DDR License. Exh. 4215. With respect to the
13 licensing of future DDR SDRAM devices, Mr. Shim asked for the license to include products
14 "substantially similar" to the devices that were identified by specific Samsung part numbers, and
15 to substitute this broader phrase in place of the existing language, which licensed only future
16 products "identical" to the specific products identified by part number, except for eleven allowed
17 and enumerated differences. Exh. 4215 at 3.

18 j. Rambus did "not budge" on its proposed definition of the products that would
19 be covered under the SDR/DDR License and did not want the Agreement to cover future
20 products if Samsung "changed the products down the road." V102 (2/6/2001 Depo. of Charles
21 Donohoe at 100:3-9).

22 k. On October 16, 2000, Mr. Steinberg sent an email stating Rambus's position
23 that it was unwilling to amend the language of Section 1.7's limitation on future DDR memory
24 devices. Exh. 4216. His email explained that the existing provisions, including Section 1.7,
25 "adequately cover devices which may have evolutionary (as opposed to revolutionary)
26 differences from the devices specified by part number." Exh. 4216 at 1. Mr. Steinberg noted that
27 any coverage of evolutionary devices was limited to the eleven allowed differences in Section
28 1.7, as drafted, *i.e.* if they were "identical to an identified device except for different package
type, different die size, etc." *Id.*

1 1. On October 27, 2000, Mr. Steinberg executed the SDR/DDR License on behalf
2 of Rambus. On October 31, 2000, Jon Kang executed the SDR/DDR License on behalf of
3 Samsung. Exh. 4226 at 28.

4 m. Section 1.7 of the final executed agreement was unchanged in all material
5 terms from the draft originally circulated by Mr. Steinberg on August 10, 2000. *Compare* Exh.
6 4209 at 4-5, *with* Exh. 4226 at 5-6. Trial Tr. at 363 (testimony of J. Shim) (agreeing that the
7 substantive language of Section 1.7 "was never modified from the original draft").

8 n. Although Mr. Steinberg told Mr. Shim that the language of Section 1.7 should
9 "adequately cover devices which may have evolutionary (as opposed to revolutionary)
10 differences from the devices specified by part number," the parties did not change the definition
11 of the products covered or even discuss what either meant by "evolutionary."

12 o. The SDR/DDR License defines licensed memory devices and their various
13 features by reference to "Samsung Data Sheets." Exh. 4226, §§ 1.5-1.8, 1.11. Thus, for purposes
14 of determining whether a "future double data rate synchronous dynamic random access memory
15 device" constitutes one of the "Licensed Products" within the meaning of the agreement, the
16 differences between the devices listed by part number and any such future memory devices are
17 appropriately determined by reference to their respective data sheets. *Id.* § 1.7; Trial Tr. at 854
18 (testimony of Sanjay Banerjee) (noting that "you have to read all these [eleven] categories in the
19 context of the earlier sentence, which is the specifications of the DDR data sheet").

20 p. DDR2 memory devices are not "identical" to any DDR memory devices. Trial
21 Tr. at 529 (testimony of Carl Sechen); *id.* at 811-12 (testimony of Sanjay Banerjee).

22 q. Samsung's data sheets for its DDR2 memory devices are not "identical" to the
23 Samsung data sheets for any of the DDR memory devices listed by part number in Section 1.7.
24 *Compare* Exh. 4310 (64MB DDR), Exh. 4306 (256MB DDR) and Exh. 10265 (512MB DDR),
25 *with* Exh. 10248 (512MB DDR2), Exh. 4351 (512MB DDR2), and Exh. 10316 (1GB DDR2).
26 Trial Tr. at 529, 539-40 (testimony of Carl Sechen); *id.* at 821-22, 832-33, 836-37, 842-44, 846
27 (testimony of Sanjay Banerjee).

28 r. DDR2 is an "enhancement" over DDR memory devices, and DDR2 memory

1 devices contain a number of features, some of which are discussed in greater detail below, that
2 make them "substantially different" from the previous generation of DDR memory devices. Trial
3 Tr. at 468 (testimony of Carl Sechen); *id.* at 812-13 (testimony of Sanjay Banerjee). The various
4 enhancements included in DDR2 allowed memory devices to achieve a significantly higher
5 speed. Trial Tr. at 468 (testimony of Carl Sechen); *id.* at 812-13 (testimony of Sanjay Banerjee).

6 s. DDR2 memory devices include features, including several features identified
7 as "key features" in Samsung's data sheets, that do not exist in DDR memory devices. Such "key
8 features" that are in DDR2 but are not in DDR include: (1) on-die termination, (2) off-chip driver
9 calibration, (3) differential data strobe; (4) posted CAS; and (5) programmable write latency.
10 E.g., Exh. 4351 at 3; Exh. 10248 at 3; Exh. 10316 at 4.

11 t. All five of these features identified as "key features" appear in Samsung's
12 DDR2 data sheets; none of these five features appears in Samsung's DDR data sheets. Compare
13 Exh. 10265 at 4 (DDR), with Exh. 10248 at 3 (DDR2); Trial Tr. at 529 (testimony of Carl
14 Sechen). At least three, on-die termination, off-chip driver calibration and differential data
15 strobe do not qualify as allowed differences under the definitions of "DDR SDRAM" or "DDR
16 SGRAM" under Sections 1.7 and 1.8 of the 2000 SDR/DDR License.

17 i. On-die termination is a new feature in DDR2. Trial Tr. at 479
18 (testimony of Carl Sechen); *id.* at 812-18, 821-22 (testimony of Sanjay Banerjee). This
19 difference between DDR2 and DDR is reflected in the Samsung Data Sheets. Compare Exh.
20 10265 at 4 (DDR), with Exh. 10248 at 3 (DDR2). Exh. 10248 at 9 (DDR2 data sheet reflects
21 addition of ODT pin), Exh. 10248 at 20-21 (DDR2 data sheet reflects addition of new
22 ODT-related timing parameters); Exh. 10004 at 12-15; Trial Tr. at 821-24, 828 (testimony of
23 Sanjay Banerjee). On-die termination reduces the "signal reflections" that are created when data
24 is transmitted along the bus at very high rates. Exh. 4293 at 1. Without on-die termination, these
25 signal reflections create "electrical discontinuities" that interfere with "signal integrity" and make
26 processing information accurately difficult for the memory device. *Id.* at 1. With on-die
27 termination, however, "[e]nhanced signal performance allows for higher data rates." *Id.* at 6. In
28 other words, because on-die termination makes the signal transmitting the data clearer and
therefore easier to read, it allows the system to process the data more quickly. *Id.* Although

1 on-die termination enables or allows a memory device to operate more quickly, it does not
2 necessarily require it to do so. Trial Tr. at 514-15 (testimony of Carl Sechen); *id.* at 817
3 (testimony of Sanjay Banerjee). The addition of on-die termination requires changes in the
4 circuitry and is more involved than simply changing the clock frequency. *Id.* at 514-15, 525
5 (testimony of Carl Sechen). Either with or without on-die termination, a memory device can
6 operate with a clock frequency of 200 megahertz (corresponding to a data rate of 400 megahertz).
7 Compare Exh. 10265 at 4 (DDR device operating with clock frequency of 200 megahertz) with
8 Exh. 10248 at 3 (DDR2 device operating with clock frequency of 200 megahertz). Trial Tr. at
9 514-15 (testimony of Carl Sechen). Conversely, the clock frequency of a memory device can
10 change without the addition of on-die termination. Exh. 4310 at 1 (64 MB DDR at 100, 125, 143,
11 and 166 megahertz); Exh. 10265 at (512MB DDR at 333 and 400 megahertz); Trial Tr. at 807
12 (testimony of Sanjay Banerjee). On-die termination requires new timing parameters, improves
13 the integrity of the signal, and reduces the number of errors in reading data. Trial Tr. at 818
14 (testimony of Sanjay Banerjee). Because on-die termination is a change from DDR technology
15 that goes beyond a mere difference in clock frequency—and beyond any other variation permitted
16 under Section 1.7—any device containing on-die termination, such as DDR2, is not a "Licensed
17 Product" under the SDR/DDR License. Exh. 4226 § 1.7.

18 ii. Off-chip driver calibration is a new feature in DDR2. Trial Tr. at 479
19 (testimony of Carl Sechen); *id.* at 829-34 (testimony of Sanjay Banerjee). This difference
20 between DDR2 and DDR is reflected in the Samsung data sheets. Compare Exh. 10265 at 4,
21 with Exh. 10248 at 3; Exh. 10248 at 14 (DDR2 data sheet reflects addition of OCD and default
22 characteristics); *id.* at 21 (DDR2 data sheet reflects addition of new OCD-related timing
23 parameter); Exh. 10004 at 9-11; Trial Tr. at 832-33 (testimony of Sanjay Banerjee). Off-chip
24 driver calibration increases the size of the "data eye" in a memory device, i.e. the time window
25 during which a data bit can be read accurately (as either 0 or 1). Exh. 4295 at 1. Without
26 off-chip driver calibration, variations in process, voltage, and temperature can narrow the
27 window during which the data is valid. *Id.* at 1. This narrowing of the data eye can "impact
28 signal integrity," making it difficult for the data to be read correctly. *Id.* at 2. Off-chip driver
calibration helps to keep the data eye "wide" and "tall" and thereby maintain the "quality of the

1 signaling environment." *Id.* at 1. It also helps to compensate for "variations" caused by the
2 "manufacturing and assembly processes." *Id.* at 3. Because the signal is clearer and the data eye
3 more stable, the system can operate at "higher communication speeds." *Id.* Off-chip driver
4 calibration does enable or allow a memory device to operate more quickly but does not require it
5 to do so. Trial Tr. at 514-15 (testimony of Carl Sechen); *id.* at 831 (testimony of Sanjay
6 Banerjee). The addition of off-chip driver calibration necessitates a change in the memory
7 device's circuitry. *Id.* at 514-15, 525 (testimony of Carl Sechen). The addition of off-chip driver
8 calibration is more than just a change in frequency. In fact, either with or without off-chip driver
9 calibration, a memory device can operate with a clock frequency of 200 megahertz
10 (corresponding to a data rate of 400 megahertz). Compare Exh. 10265 at 4 (DDR device
11 operating with clock frequency of 200 megahertz) with Exh. 10248 at 3 (DDR2 device operating
12 with clock frequency of 200 megahertz). Trial Tr. at 514-15 (testimony of Carl Sechen).
13 Conversely, the clock frequency of a memory device can change without the addition of off-chip
14 driver calibration. Exh. 4310 at 1 (64 MB DDR at 100, 125, 143, and 166 megahertz); Exh.
15 10265 at (512MB DDR at 333 and 400 megahertz); Trial Tr. at 807 (testimony of Sanjay
16 Banerjee). The addition of off-chip driver calibration requires new timing parameters, creates a
17 more "robust" signal, and as a result "produces fewer errors in the data." *Id.* at 831-33 (testimony
18 of Sanjay Banerjee). Exh. 10248 at 14 (DDR2 data sheet reflects addition of OCD and default
19 characteristics); *id.* at 21 (DDR2 data sheet reflects addition of new OCD-related timing
20 parameter); Exh. 10004 at 9-11. Because off-chip driver calibration is a change from DDR
21 technology that goes beyond a mere difference in clock frequency—and beyond any other
22 variation identified in Section 1.7—any device containing off-chip driver calibration, such as
23 DDR2, is not a "Licensed Product" under the SDR/DDR License.

24 iii. A differential data strobe is a new feature in DDR2. Trial Tr. at 479
25 (testimony of Carl Sechen); *id.* at 834-37 (testimony of Sanjay Banerjee). This difference
26 between DDR2 and DDR is reflected in the Samsung data sheets. Compare Exh. 10265 at 4,
27 with Exh. 10248 at 3; Exh. 10248 at 23; Trial Tr. at 836-37 (testimony of Sanjay Banerjee). A
28 differential data strobe allows the memory device to read data bits (as either 0 or 1) at a "precise
instance of time." *Id.* at 834. Without a differential data strobe, the memory device must rely on

1 only a "single data strobe" and a timing reference (provided by the crossings of that data strobe
2 with a voltage reference) which could "vary in the time domain." *Id.* This sort of variance gives
3 rise to a problem known as "timing skew," meaning that there is uncertainty about when to "read
4 in or write the data." *Id.* at 834-35. By contrast, with a differential data strobe, there are two
5 "intersecting voltage wave forms." *Id.* at 835. The crossing points of these wave forms are less
6 subject to timing skew and, therefore, provide a more exact "triggering" mechanism for the
7 memory device to read or write the data. *Id.* at 835-36. The benefit of a differential data strobe
8 is a wider "data eye" and greater accuracy. *Id.* at 836. A differential data strobe enables or
9 allows a memory device to operate more quickly but does not require it to do so. Trial Tr. at
10 514-15 (testimony of Carl Sechen); *id.* at 835 (testimony of Sanjay Banerjee). It is not possible
11 to add a differential data strobe simply by changing the clock frequency. *Id.* (testimony of Carl
12 Sechen). *Cf. id.* at 525 (testimony of Carl Sechen). Either with or without a differential data
13 strobe, a memory device can operate with a clock frequency of 200 megahertz (corresponding to
14 a data rate of 400 megahertz). Compare Exh. 10265 at 4 (DDR device operating with clock
15 frequency of 200 megahertz) with Exh. 10248 at 3 (DDR2 device operating with clock
16 frequency of 200 megahertz). Trial Tr. at 514-15 (testimony of Carl Sechen). On the other hand,
17 the clock frequency of a memory device can change without the addition of a differential data
18 strobe. Exh. 4310 at 1 (64 MB DDR at 100, 125, 143, and 166 megahertz); Exh. 10265 at
19 (512MB DDR at 333 and 400 megahertz); Trial Tr. at 807 (testimony of Sanjay Banerjee).
20 Furthermore, a differential data strobe gives rise to differences other than a potential change in
21 clock frequency. In addition to enabling a potential increase in speed, the addition of a
22 differential data strobe creates a more "certain" timing mechanism, creates a larger "data eye," a
23 more "robust" signal, and as a result creates a more accurate process for "reading and writing
24 data." Trial Tr. at 835-36 (testimony of Sanjay Banerjee). Because a differential data strobe is a
25 change from DDR technology that goes beyond a mere difference in clock frequency—and beyond
26 any other variation identified in Section 1.7 – any device containing a differential data strobe,
27 such as DDR2, is not a "Licensed Product" under the SDR/DDR License.

28 u. Two of the new features in Samsung's DDR2 products, posted CAS and

1 programmable write latency, do appear to fall within the allowed category of a device with
2 "different programmable latency."

3 i. The Posted CAS enhancement in Samsung's DDR2, DDR3, and
4 GDDR2 products is characterized by the inclusion of an additive latency to the CAS delay to
5 make the command and data bus efficient for sustainable bandwidths. Trial Tr. at 502:12-503:11,
6 837:9-23. Using this approach, commands are issued externally but are held internally by the
7 device prior to execution, for the duration of the additive latency, in order to improve system
8 scheduling. Specifically, this method helps avoid collision on the command bus and gaps in data
9 input/output bursts, which improves delays. Additive latency is variable and is programmable.
10 Trial Tr. at 503:19-504:7, 837:24-838:14. Posted CAS appears to fit into the allowed difference
11 of "different programmable latency." Trial Tr. at 504:24-505:10.

12 ii. Programmable write latency is a new feature in DDR2. Trial Tr. at 479
13 (testimony of Carl Sechen); *id.* at 844-46 (testimony of Sanjay Banerjee). Programmable write
14 latency permits programmable adjustments to the amount of time between when the memory
15 device receives a write command and when it receives the data to be written. Trial Tr. at 844
16 (testimony of Sanjay Banerjee). In particular, programmable write latency was an improvement
17 on the "inflexible" DDR device, which fixed the write latency at "one clock cycle." *Id.* The
18 extra flexibility provided by programmable write latency helps the memory device avoid
19 "collisions or gaps" in the data to be written to the memory. *Id.* at 845-46. Among other things,
20 programmable write latency enables a memory device to operate more quickly but does not
21 require it to do so. *Id.* at 531 (testimony of Carl Sechen). Although a close question,
22 programmable write latency appears to fall into the allowed difference category of a "different
23 programmable latency" within the meaning of § 1.7. Rambus's argument that in the context of
24 the license agreement "different programmable latency" refers to different values for CAS
25 latency, a parameter that was already programmable in DDR, has some appeal. However, the
26 parties did not limit the difference of "programmable latency" to parameters already
27 programmable in DDR.

28 u. On-die termination, off-chip calibration and differential strobe are not

unrelated to clock frequency. As with many improvements to DRAM technology, the "overriding objective" of these new features is to enable or allow the memory device to go faster. Trial Tr. 523-24; 812-13. However, as noted above, a DDR SDRAM with one or more of these enhancements is more than merely a DDR SDRAM which may have a different clock frequency. The DDR2 products are not within the scope of the SDR/DDR License.

3. Rambus Was Not Entitled to Terminate the 2000 SDR/DDR License on the Purported Basis that Samsung Breached its Audit Obligation

The parties dispute whether Rambus properly terminated the 2000 SDR/DDR License on the basis that Samsung failed to comply with the audit requirements of the 2000 SDR/DDR License. The court makes the following findings of fact relevant to that issue.

a. The 2000 SDR/DDR Agreement contains an audit provision which permits Rambus, through its designated independent accounting or licensing audit firm, to audit Samsung's records and information bearing upon the amount of royalties payable to Rambus under the 2000 SDR/DDR Agreement. Exh. 4226 (2000 SDR/DDR Agreement) § 4.1.

b. Specifically, Section 4.1 of the 2000 SDR/DDR Agreement reads:

With respect to the royalties set forth herein, Samsung shall keep complete and accurate records. These records shall be retained for a period of at least three (3) years from the date of payment, notwithstanding the expiration or other termination of this Agreement. Rambus, through its designated independent accounting or licensing audit firm, shall have the right to examine and audit, not more than once a year unless the preceding audit revealed an underpayment exceeding five percent (5%) of the total royalties due for the period under audit, and during normal business hours, all such records and such other records and accounts as may contain, under recognized accounting practices, information bearing upon the amount of royalties payable to Rambus under this Agreement. In no event will Rambus audit any given reporting period more than once. Prompt adjustment shall be made by Samsung to compensate for any errors and/or omissions disclosed by such examination or audit which result in an underpayment of royalties hereunder, together with interest thereon, from the date the payment was due at the 1 year U.S. Treasury bill (hereinafter "T-bill") rate, as published in the Wall Street Journal (Western Edition) on the date on which the royalty was due, plus five percent (5%) per annum (or the maximum allowed by applicable law, if less). Should the amount of any such error and/or omission exceed five percent (5%) of the total royalties due for the period under audit, then upon request by Rambus, Samsung shall pay for the cost of the audit. *If any three (3) consecutive audits reveal underpayments of royalties in excess of five percent (5%), Rambus shall be entitled to immediately terminate this Agreement on notice to Samsung at any time within ninety (90) days after such third such audit.* Should such audit disclose an overpayment of royalties hereunder, such overpayment shall be taken as a credit against future royalties, and in the event that there are no future royalties, Rambus shall issue a refund thereof.

Exh. 4226 (2000 SDR/DDR Agreement) at 19 (emphasis added).

c. In December 2003 Rambus requested an audit of Samsung under both Section

1 4.1 of the 2000 SDR/DDR Agreement and Section 4.3(a) of the 1994 RDRAM Agreement. Trial
2 Tr. at 256:8-14.

3 d. Rambus selected Ernst & Young to perform the Samsung audit. Trial Tr. at
4 857:22-24. Nigel Shepherd of Ernst & Young's San Jose, California offices led the Samsung
5 audit. Trial Tr. at 857:19-21.

6 e. Because the inspection of Samsung's records took place in Korea, and because
7 Mr. Shepherd does not read or speak Korean, Mr. Shepherd did not personally participate in
8 performing the Samsung audit. Trial Tr. at 877:20-878:5, 878:16-879:17, 881:12-25, 882:1-7,
9 882:24-25.

10 f. Mr. Shepherd had a Korean team consisting of Simon Yoo and In-Sang Yoo
11 from Ernst & Young's Korean affiliate, Younghwa Accounting Firm, who performed the actual
12 audit work done at Samsung's Korean offices. Trial Tr. at 256:25-257:10, 878:6-12,
13 888:11-889:12.

14 g. During the audit, Samsung's primary contact was Ernst & Young's Korean
15 affiliate, Younghwa Accounting Firm. Trial Tr. at 257:10-15. Mr. Shepherd learned about the
16 on-site audit visits and communications between Younghwa Accounting Firm and Samsung
17 through his telephone and e-mail communications with Simon Yoo and In-Sang Yoo of
18 Younghwa Accounting Firm. Mr. Shepherd communicated his understanding regarding the
19 progress of the audit to William Deley, his primary contact at Rambus. Trial Tr. at 858:12-13,
20 883:7-10.

21 h. On July 9, 2004, Rambus made a presentation to Samsung in which it claimed
22 that "[l]ack of data has now delayed this audit 7+ months" and that "[s]uch delay is a breach of
23 our RDRAM, SDRAM, and DDR licenses." Exh. 4251 (Samsung-Rambus Legal Update
24 Presentation, dated July 9, 2004). In this presentation, as part of the "Proposed Next Steps -
25 Closure," Rambus requested that Samsung provide audit data from October 1, 2000 through
26 March 31, 2004. Exh. 4251 (Samsung-Rambus Legal Update Presentation, dated July 9, 2004) at
27 14.

28 i. Mr. Shepard participated in two conference calls with Samsung and Rambus in

1 July 2004. Trial Tr. at 905:13-15. These conference calls took place after the July 9, 2004
2 meeting between Samsung and Rambus. Exh. 10228 (Memorandum from N. Shepherd to File re:
3 Samsung Rambus Conference Call, dated Nov. 23, 2004) (the "Background" provided in N.
4 Shepherd's November 23, 2004 memorandum to file states, "[t]he purpose of the call was to
5 follow up on the four issues raised at the July 15, 2004 conference call and subsequently
6 documented in the memorandum dated 7_28_04."). Mr. Shepherd's November 23, 2004
7 Memorandum to File states, "[c]urrently, the audit period has covered 1/1/2001 through to
8 12/31/2003 following discussions with E&Y and Samsung." Exh. 10228 (Memorandum from N.
9 Shepherd to File re: Samsung Rambus Conference Call, dated Nov. 23, 2004).

10 j. The Amendment No. 1 to the 2000 SDR/DDR Agreement dictated the royalties
11 that Samsung owed to Rambus from January 1, 2001 through April 1, 2005. Exh. 4240 (2001
12 Amendment); Trial Tr. at 249:22-250:2. Under Amendment No. 1, Samsung paid Rambus a
13 "lump sum royalty" of \$3,800,000 in satisfaction of all of its royalty obligations for the first
14 quarter of 2001 for both memory and memory controller sales. Exh. 4240 (Amendment No. 1) §
15 2. Samsung thereafter paid a "fixed, lump sum royalty" of \$2,000,000 every quarter "in lieu of
16 the royalty" required by the 2000 Agreement "for the Memory Products." *Id.* §§ 3, 5; Trial Tr. at
17 251:3-15, 252:1-7.

18 k. Because the only royalties paid on a per-unit basis under the 2000 SDR/DDR
19 Agreement from January 1, 2001 through December 31, 2003 were memory controllers, the audit
20 concerned RDRAM Products and SDR/DDR Controllers. Trial Tr. at 251:3-15, 252:1-7,
21 259:21-260:1.

22 l. During the audit, Younghwa Accounting Firm visited Samsung several times
23 between the spring of 2004 and the early part of 2005. Trial Tr. at 258:4-7.

24 m. During 2004, there were several occasions when Mr. Deley at Rambus
25 instructed Mr. Shepherd not to pursue further information from Samsung, and not to contact
26 Samsung. Trial Tr. at 860:15-20, 883:11-13. When Mr. Deley at Rambus asked Mr. Shepherd
27 not to contact Samsung, Mr. Shepard would inform his Korean team at Younghwa Accounting
28 Firm that they, too, should not initiate contact with Samsung. Trial Tr. at 885:9-16. During the

1 times when Rambus asked Mr. Shepherd not to contact Samsung, nothing was being done to
2 proceed with the audit. Trial Tr. at 885:5-21.

3 n. One of the occasions that Mr. Deley instructed Mr. Shepherd not to
4 contact Samsung was in September of 2004. V100 (Video Testimony of W. Deley) at
5 71:17-72:2. On October 4, 2004 Mr. Shepherd sent Mr. Deley an email inquiring whether Ernst
6 & Young was "supposed to hold off on any follow-up with Samsung." Trial Exhibit 4252 (Email
7 from N. Shepherd to W. Deley, dated Oct. 4, 2004) ("are we [Ernst & Young] still supposed to
8 hold off on any follow-up with Samsung?"); Trial Tr. at 884:22-25, 886:2-7; V100 (Video
9 Testimony of W. Deley) at 69:22-70:2. Between October 4, 2004 and November 13, 2004
10 neither Ernst & Young nor Younghwa Accounting Firm had made any effort to "move the
11 [Samsung] audit forward" due to instruction from Rambus not to initiate contact with Samsung.
12 Trial Tr. at 885:1-21, 886:2-7.

13 o. On November 13, 2004, Rambus instructed Mr. Shepherd to set up a
14 conference call with Samsung about the audit. Trial Tr. at 888:2-6. Around the middle of
15 December 2004, In-Sang Yoo of Younghwa Accounting Firm conducted a site visit of Samsung's
16 offices in Korea. Trial Tr. at 888:11-18, 889:3-7. Mr. Shepherd was not personally present at this
17 site visit, but he learned about it from an email sent by Simon Yoo who similarly was not
18 present. Trial Tr. at 888:21-889:12.

19 p. After In-Sang Yoo's mid-December 2004 site visit, Mr. Shepherd reported to
20 Rambus that Samsung was not going to deal with Ernst & Young again. Trial Tr. at 889:13-25.

21 q. As of January 18, 2005, Mr. Shim understood that Samsung had provided all
22 the documents necessary to complete the audit and further understood that Younghwa
23 Accounting Firm expressed that that there were no more outstanding issues with respect to the
24 audit. Trial Tr. at 285:8-15 (admissible only to show Mr. Shim's understanding). Mr. Shim
25 understood that Younghwa Accounting Firm would contact Samsung's accounting department if
26 the firm had a need for further documents. Trial Tr. at 285:16-19.

27 r. During a February 2, 2005 meeting between the parties, Mr. Shim remarked
28 that the Ernst & Young Korean auditors confirmed with Samsung that they had what they needed
for the audit and did not require further information. Trial Tr. at 286:12-22; Exh. 4260 (Jared

1 Smith's handwritten notes from a February 2, 2005 Samsung-Rambus meeting) ("Heard from
2 local audit team that things were okay").

3 s. After Younghwa Accounting Firm visited Samsung on January 18, 2005,
4 neither it nor Ernst & Young made any further requests of Samsung for materials, information or
5 assistance. Trial Tr. at 286:8-16.

6 t. Rambus made a proposal to Samsung for a renewal of the 2000 SDR/DDR
7 Agreement on February 20, 2005. Exh. 4263 (Email from I. Blumberg to J. Shim re: DRAM).

8 u. In February 2005, Rambus continued to accept royalty reports and payments
9 from Samsung. Trial Tr. at 255-256; Exh. 4429 (Samsung 4Q 2004 Royalty Statement, dated
10 Feb. 17, 2005).

11 v. Between January of 2005 and March of 2005, Rambus did not ask Ernst &
12 Young to contact Samsung. Trial Tr. at 891:21-24. Then, on March 18, 2005, the day Rambus
13 settled with Infineon, Mr. Deley sent Mr. Shepherd an email requesting that he "confirm that
14 there has been zero continued cooperation by Samsung relative to the royalty audit." Trial Tr. at
15 890:1-6; Exh. 4264 (Settlement and License Agreement between Rambus and Infineon, effective
16 March 18, 2005).

17 x. Mr. Deley's Infineon-Settlement-Day email informed Mr. Shepherd that
18 Samsung has "been saying that they have been fully cooperating on the audit. Please confirm the
19 facts, i.e., update your status." Trial Tr. at 890:16-891:12. After Mr. Deley's March 18, 2005
20 request that Mr. Shepherd "confirm that there has been zero continued cooperation by Samsung
21 relative to the royalty audit," Mr. Blumberg sent a letter to Mr. Shim on April 1, 2005 stating:

22 since the royalty rate per the terms of the Agreement are based on per unit
23 calculations, please advise your accounting group as soon as possible that it will
24 need to track sales of all licensed DRAMs in order to provide timely the quarterly
25 reports required by section 4.2 of the Agreement and to pay the corresponding
26 royalties. This report is likely to be complex due to the itemized data required. As
27 you recall, there are ongoing accounting issues that we have notified you
28 constitute an uncured breach of the Agreement and we would like to avoid any
additional problems.

Exh. 4268 (Letter from I. Blumberg to J. Shim, dated Apr. 1, 2005) at 2. Notably, in the same
April 1 letter, Mr. Blumberg told Mr. Shim: "I believe it would be in the best interest of both our
companies to initiate substantive discussions regarding renewal and expansion of license

1 coverage as soon as possible. As you know, renewal discussions are also required by § 8.5 of the
2 Agreement." *Id.*

3 y. After Mr. Blumberg sent this April 1, 2005 letter, he sent an email to
4 Mr. Deley explaining he "desperately need[s]" a detailed summary of the status of Rambus's
5 royalty audit with Samsung due to an unexpected meeting with Mr. Shim of Samsung. Exh.
6 10260 (Email from N. Shepherd to W. Deley re: Samsung Audit Issues, dated Apr. 6, 2005)
7 ("Jared and I are meeting Jay Shim of Samsung rather unexpectedly in about 36 hours. I need a
8 detailed summary of the status of our royalty audit with Samsung Sorry for the short notice,
9 but I desperately need this information no later than 24 hours from now. Thanks for your help,
10 Ira."). Mr. Deley forwarded Mr. Blumberg's email to Mr. Shepherd on April 5, 2005, stating:
11 "Nigel, this is an important issue. We need a basic update on the issues." Trial Tr. at 893:13-15;
12 Exh. 10260 (Email from N. Shepherd to W. Deley, dated Apr. 6, 2005)

13 z. In response to Rambus's March 18th and April 5th requests, Mr.
14 Shepherd sent Rambus an email update on the audit on April 6, 2005. Trial Tr. at 894:21-24;
15 Exh. 10260 (Email from Nigel Shepherd to William Deley, dated April 6, 2005). That email did
16 not include any information about the January 18, 2005 visit by Younghwa Accounting Firm.
17 Exh. 10260 (Email from N. Shepherd to W. Deley, dated Apr. 6, 2005). Most of the information
18 contained in Mr. Shepherd's April 6, 2005 email is derived from "updates from his field team"
19 which include conversations Mr. Shepherd had with Simon Yoo and In Sang Yoo of the
20 Younghwa Accounting Firm, or Excel tracking spreadsheets sent to him by email and, last
21 updated "sometime" in September of 2004. Trial Tr. at 906:5-907:1, 907:11-908:2. It had been
22 at least three months since Mr. Shepherd had spoken with anyone from Samsung. Trial Tr. at
23 891:18-24; Ex. 10260 (Email from N. Shepard to W. Deley dated April 6, 2005).

24 aa. Rambus never told Samsung that there was any basis for it not to
25 negotiate in good faith for a mutually satisfactory patent license until June 3, 2005. Trial Tr. at
26 1041:1-8.

27 bb. Rambus accepted Samsung's royalty payments for Q1 2005 on May
28 24, 2005. Trial Tr. at 255-256; Exh. 4430 (Samsung's Royalty Statement for 1Q, 2005, dated
May 23, 2005).

cc. On June 6, 2005 Rambus purported to terminate the 2000 SDR/DDR Agreement citing Samsung's "failure to comply with the auditing provisions of Section 4[.]" Trial Tr. at 304:5-14; 305:5-8; Exh. 4276 (Letter from J. Danforth to J. Shim, dated June 6, 2005) ("[d]espite having ample opportunity to cure since receiving written notice, Samsung still has not complied with these auditing provisions. This letter is to inform you that in view of Samsung's continued breach and failure to cure . . . Rambus hereby immediately terminates the SDR/DDR License Agreement.").

dd. Rambus did not offer in evidence any exhibits that were delivered to Samsung before Rambus terminated the 2000 SDR/DDR License that revealed the underpayment by Samsung of royalties in excess of five percent for three consecutive audits nor did Rambus introduce any audit papers prepared by the Younghwa Accounting Firm. Rambus's purported termination of the 2000 SDR/DDR License for Samsung's alleged failure to comply with its audit obligations appears to have been for strategic purposes and the failure to comply was a pretextual reason given for the termination..

4. Rambus Did Not Breach the SDR/DDR License By Failing to Negotiate in Good Faith An Extension or Renewal

The parties dispute (1) whether Rambus breached its duty to negotiate in good faith an extension of the SDR/DDR License or a new patent license agreement to replace the SDR/DDR License, (2) whether the good faith provision is definite enough to be enforced and (3) what the appropriate remedy is, if Rambus did breach an enforceable duty. The court makes the following factual findings with respect to these issues.

a. Section 8.5 of the 2000 SDR/DDR License provides:

8.5 Assuming that this Agreement has not been terminated and that Samsung is not in breach hereof, the parties shall meet, six (6) months before the expiration of this Agreement, to negotiate in good faith with a view to achieving a mutually satisfactory patent license agreement under the Rambus Patents with respect to the Licensed Products, including, without limitation, an extension hereof or a new agreement.

Id. § 8.5. 186.

b. The negotiation history of the 2000 SDR/DDR License shows that the parties never agreed that any extension or renewal would be one that gave Samsung some form of most favored licensee status. On August 10, 2000, Mr. Steinberg sent a draft license agreement to Mr.

1 Shim. That draft did not contain any obligation to negotiate a renewal or extension in good faith,
2 or any provision that contained language resembling what was eventually adopted as Section 8.5.
3 Exhs. 4208, 4209.

4 c. On October 6, 2000, Mr. Shim sent a proposed term sheet to Mr. Steinberg that
5 requested that Mr. Steinberg add a provision in which Rambus would agree that the parties
6 would negotiate in good faith any extension or renewal terms to the present Agreement, and that
7 the royalty terms of such extension or renewal terms would not exceed the present royalty terms.
8 Under such a provision, the parties could further negotiate in good faith terms relating to any
9 additional patents or licensed products. Exh. 4214 at ¶ 9 (emphasis added).

10 d. A few days later, on October 11, 2000, Mr. Steinberg incorporated some but
11 not all of Samsung's suggested provisions for what became Section 8.5 in the draft agreement.
12 Exh. 4217 (red-lines within for October 11, 2000 draft). Specifically, the language in the
13 October 11, 2000 draft said nothing about royalty terms for an extension or renewal not
14 exceeding "the present royalty terms" in Section 3.1 of the license under discussion. *Id.*

15 e. On October 16, 2000, Mr. Shim responded with suggested revisions to the
16 October 11, 2000 draft. Mr. Shim copied Charles Donohoe, Samsung's counsel, on those
17 communications. Before sending the October 16 proposed revisions, Mr. Shim consulted with
18 Mr. Donohoe. V105 (6/9/2008 Depo. of Jay Shim at 205:21-206:6). Mr. Shim asked that Section
19 3.8, the most favored licensee provision in the draft agreement, be included in the list of
20 provisions that would survive termination or expiration of the agreement. Exh. 4215 at ¶ 17.

21 f. That same day, Mr. Steinberg responded and did not include Section 3.8 in
22 the list of provisions that would survive termination or expiration of the agreement. Exh. 4216, ¶
23 17; Exh. 4217, § 8.6 (no revision to include 3.8).

24 g. On October 21, 2000, Mr. Steinberg sent an executed SDR/DDR License to
25 Mr. Shim. Exh. 4222.

26 h. On October 26, 2000, Mr. Shim sent an email to Mr. Steinberg, in which Mr.
27 Shim requested four changes. Specifically, Mr. Shim requested (1) that the arbitration procedure
28 be removed from the agreement, (2) a "*representation*" from Mr. Steinberg "*that 'Rambus*
Patents' in Section 1.12(i) are intended to cover all Licensed Products and their future

1 *parametrically improved versions,"* (3) *"8.5 to reflect that in the 'extension' or 'new agreement,'*
2 *Samsung is guaranteed to the most favorable royalty condition in the manner afforded in the*
3 *present agreement,"* and (4) that the termination period in Section 8.4 change to thirty days from
4 sixty days for both parties. Exh. 4223 (Emphasis added).

5 i. The next day, on October 27, 2000, Mr. Steinberg sent a revised, signed
6 SDR/DDR License. Mr. Steinberg stated in his letter that "to the extent possible, we have
7 incorporated your latest requests into the enclosed Agreement." Exh. 4224 at 2. Mr. Steinberg
8 incorporated two of Mr. Shim's four suggested revisions. First, the arbitration procedure in
9 Section 9.3 was removed. Compare Exh. 4222, § 9.3 with Exh. 4224 at 26-27. Second, the
10 termination period in Section 8.4 was changed to thirty days from sixty days. Compare Exh.
11 4222, § 8.4 with Exh. 4224, § 8.4. The revised, signed October 27, 2000 document did not
12 incorporate Mr. Shim's requested changes for Section 1.12(i) or Section 8.5. Specifically, it
13 made no change to Section 8.5 to provide that in any extension or new agreement, Samsung
14 would be guaranteed any most favorable royalty conditions.

15 j. On October 31, 2000, Mr. Shim called Mr. Steinberg. Exh. 4227. Mr.
16 Shim followed up that phone call with an email to Mr. Steinberg at 1:48 a.m. on October 31,
17 2000 that said Jon Kang had executed the SDR/DDR License. *Id.* Moreover, it said: "I'm now
18 working on Section 8.5 (i.e., the most favorable royalty condition in the extension or in new
19 agmt.) wording and will have that for you soon. As you indicated we'll attach a post-execution
20 amendment to resolve this." *Id.*

21 k. The SDR/DDR License was signed by Jon Kang of Samsung on October 31,
22 2000 without modification of Section 8.5. Exh. 4226. The language in Section 8.5 in the final
23 SDR/DDR License is the same as the language proposed by Rambus on October 11, 2000.
24 Compare Exh. 4217, § 8.5 (no red-line indicates language is same as October 11, 2000 draft)
25 with Exh. 4226 § 8.5.

26 l. On November 7, 2000, Mr. Shim sent Mr. Steinberg a draft Amendment A to
27 the SDR/DDR License. Exh. 4230. Samsung's draft Amendment A provided that Section 8.5
28 would be amended to add the following language: "Rambus agrees that in such an extension or a
new agreement, the royalty rates, such as the ones specified in Section 3.1 herein, or effective

1 royalty rates shall in no event be greater than those agreed to by any other then current or
2 prospective licensees of Rambus for substantially similar categories of licensed products." Exh.
3 4231.

4 m. On November 21, 2000, Mr. Steinberg replied to Mr. Shim's November 7,
5 2000 email and said "[a]ttached please find a revised amendment to the Patent License
6 Agreement." Exh. 4232. In the attached revised amendment, Mr. Steinberg proposed different
7 language to be added to Section 8.5: "Rambus agrees that in such an extension or a new
8 agreement, the royalty rates for any category of products corresponding to SDR SDRAM, SDR
9 SGRAM, DDR SDRAM and DDR SGRAM shall not be greater than the royalty rates paid by
10 other current or prospective licensees under the Rambus Patents for any category of products
11 corresponding to SDR SDRAM, SDR SGRAM, DDR SDRAM, and DDR SGRAM." Exh.
12 4233.

13 n. Neither of the proposed amendments to Section 8.5 reflected in Exhibits 4231
14 or 4233 was ever signed by either party. Trial Tr. at 248:19-22. Therefore, those proposed
15 provisions were not incorporated into the SDR/DDR License either expressly or impliedly
16 because Section 10.9 requires any "alteration, amendment, waiver, cancellation or any other
17 change in any term or condition of [the] Agreement . . . [to] have been mutually assented to in
18 writing by both parties." Exh. 4226, § 10.9.

19 o. Samsung never agreed to any amendment to Section 8.5 because, as Mr.
20 Shim related, Samsung believed "about this time, and for the period of many months that
21 followed, there were some serious concerns as to Rambus's I.P., and we were reviewing many
22 different aspects of lawsuits that were going on." Trial Tr. at 248:28-249:3. Not signing the
23 amendment because of uncertainty on Samsung's side suggests that Samsung made a conscious
24 decision not to sign any amendment due to its uncertainty as to a future relationship with Rambus
25 and thus not wanting to commit itself further. Although Mr. Shim claimed at trial that the
26 amendment was important to Samsung, his testimony before trial that he had no recollection
27 whatsoever of any effort by him or anyone at Samsung to change Section 8.5 from October 27
28 through the end of 2000 makes suspect his trial testimony of its importance. V105 (6/9/2008
Depo. of J. Shim at 143:20-144:13, 239:5-10).

1 p. Mr. Shim acknowledged in an August 2005 evidentiary hearing that Samsung
2 did not have any most favored licensee protection for any extension of the SDR/DDR License or
3 in any new agreement that replaced or followed it, but rather that the most favored licensee
4 provisions of Section 3.8 were limited to the five-year term of the SDR/DDR License.
5 Specifically, Mr. Shim testified that the SDR/DDR License "provided a most favored nations
6 clause while it was in effect, but it did not provide any commitment on Rambus's part that
7 Samsung would be given a most favored nation clause in a renewal agreement." He further
8 elaborated that the SDR/DDR License "provided most favored nation during those terms.
9 Obviously, we did not talk about terms of the renewal." Trial Tr. at 928:21-929:16.

10 q. Mr. Donohoe testified that Samsung "would not have wanted an exact
11 extension of the agreement" but rather would have "wanted to be able to renegotiate the
12 economic terms of the agreement." He further explained: "So I don't think [Samsung] asked for
13 an out and out extension of the agreement." V103 (5/14/08 Depo. of Charles Donohoe at
14 133:1-11).

15 r. In May 2001, after the initial verdict adverse to Rambus in the Infineon
16 litigation, Samsung told Rambus it intended to withhold its first quarter 2001 royalty payments
17 while it evaluated the litigation. Trial Tr. at 735:15-22; Exhs. 9109, 9112.

18 s. In the following weeks, the parties negotiated Amendment No. 1 to the
19 SDR/DDR License, effective July 11, 2001. Exh. 4240. In Paragraph 8 of Amendment No. 1,
20 Rambus and Samsung agreed as follows:

21 Assuming that the Agreement, as revised herein, has not been terminated
22 and that Samsung is not in breach thereof, the parties shall meet six (6) months
23 before the expiration of the Agreement, to negotiate in good faith with a view to
24 achieving a mutually satisfactory patent license agreement under the Rambus
25 Patents with respect to the Licensed Products, including, without limitation, an
26 extension of the Agreement or a new agreement. Rambus agrees that in such an
27 extension or a new agreement, the royalty rates for SDR/DDR IC's and/or
28 SDR/DDR memory modules *shall not be greater than the royalty rates paid by
other current or prospective licensees and further shall not be greater than the
royalty rate as specified under Section 3.1 of the Agreement*, in the event that
Rambus receives a lump sum payment, in lieu of royalties calculated based on a
percentage of Net Sales, on Licensed Products from another licensee prior to
termination or expiration of the Agreement, then the parties agree to negotiate in
good faith to modify the payment terms of the Agreement.

1 Exh. 4240, ¶ 8 (emphasis added). The italicized language was added to Paragraph 8 of the 2001
2 Amendment, and is not present in Section 8.5 of the SDR/DDR License. Compare Exh. 4226, §
3 8.5, with Exh. 4240, ¶ 8. The addition of this language in Amendment No. 1 suggests that an
4 obligation to agree to most favored licensee rates is not implicit in the duty to negotiate in good
5 faith or else the additional language would be mere surplusage.

6 t. Amendment No. 1 also provided that "[i]n the event that Rambus licenses . . .
7 Infineon AG, then anytime after March 31, 2002, Rambus may terminate this Amendment No. 1
8 upon (10) days written notice from Rambus to Samsung of the license . . . and the terms of the
9 Agreement shall resume in force thereafter." *Id.* at ¶ 7.

10 u. By at least July 2004, Rambus pressed Samsung to begin renewal negotiations
11 for a license that would replace or follow the expiration of the SDR/DDR License.

12 v. Samsung and Rambus met on July 9, 2004 in Korea. Rambus's attendees
13 included Mr. Blumberg, Jared Smith, John Danforth, and Joe Moniz. Samsung's attendees
14 included Mr. Shim and some of his associates. Trial Tr. at 259:3-17, 945:22-946:6.240.

15 x. Rambus made a PowerPoint presentation to Mr. Shim and the other Samsung
16 attendees at this July 9, 2004 meeting. Trial Tr. at 258:15-18; Exh. 4251. Rambus presented its
17 position on why the SDR/DDR License did not cover DDR2. Trial Tr. at 946:7-16. Rambus set
18 forth its explanation of the contractual language in Sections 1.7 and 1.12 of the SDR/DDR
19 License and why the language did not cover DDR2 and subsequent generation products. Exh.
20 4251 at 46-49. Mr. Blumberg, invited Samsung to respond at the meeting with its position on
21 DDR2. *Id.* at 45; Trial Tr. at 946:17-20, 950:11-12. However, Mr. Shim did not offer any
22 explanation based on the contractual language or any other documents to show why DDR2 and
23 subsequent generation products were covered by the agreement. Trial Tr. at 947:1-14. Mr.
24 Blumberg encouraged Mr. Shim to begin renewal negotiations because the SDR/DDR License
25 and its Amendment No. 1 were set to expire in 2005. Mr. Blumberg testified that "as early as
26 that July 9th 2004 meeting," he "mentioned to Mr. Shim my concern that renewal negotiations
27 for agreements of this complexity typically took a significant amount of time and suggested that
28 we begin discussions of that renewal as quickly as possible to ensure that we didn't run out of
time to renew the agreement before the 2000 agreement expired." Trial Tr. at 950:25-953:6. In

1 response to Mr. Blumberg's desire to get the renewal negotiations started in 2004, Mr. Shim's
2 position was that there was "no need to rush." Mr. Shim told Mr. Blumberg that it was premature
3 to begin negotiations because those negotiations were not required until six months before the
4 expiration of the agreement, and Mr. Shim's interpretation of Amendment No. 1 was that it did
5 not expire until October 2005. Trial Tr. at 951:13-952:21. In response, Mr. Blumberg tried to
6 encourage Mr. Shim to negotiate because Mr. Blumberg "[felt] strongly that it was going to take
7 more than six months to negotiate a renewal." *Id.* at 953:1-4.

8 y. From July 9, 2004 to February 20, 2005, Mr. Blumberg continued to press Mr.
9 Shim to begin renewal negotiations. Trial Tr. at 950:25-953:6.

10 z. On February 20, 2005, Mr. Blumberg sent an offer for renewal to Mr. Shim.
11 Trial Tr. at 950:13-22; Exh. 4263 (the "February 20 Renewal Offer"). Rambus's February 20
12 Renewal Offer to Samsung proposed that Samsung make fixed quarterly payments of \$12 million
13 in return for a license covering "all forms of DRAM, current and future." The offer contained a
14 trigger that would move the fixed quarterly payments to a "market rate once at least one other
15 major DRAM manufacturer is paying such market rates." Exh. 4263.

16 aa. Mr. Shim testified that he did not "have a chance" to respond to the February
17 20 Renewal Offer. Trial Tr. at 289:21-24 ("I did not get a chance to address this proposal"),
18 320:2-4 ("I don't think I ever had a chance to respond to this proposal"), 333:21-23 ("We never
19 got a chance to respond to that."). However, Mr. Shim had more than two weeks to consider the
20 February 20 Renewal Offer before he met in person with Mr. Blumberg, Mr. Danforth, and Mr.
21 Smith on March 8, 2008 at Rambus's offices in Los Altos, California. Trial Tr. at 953:14-22.
22 Then, at the March 8 meeting, Mr. Shim had further opportunity to discuss, consider, and
23 evaluate the February 20 Renewal Offer. At this March 8 meeting, Rambus orally presented the
24 Offer. Trial Tr. at 953:23-954:3. In response, Mr. Shim said "it was too early to get into hard
25 core renewal negotiations as we were still well beyond the six-month period before the end of
26 October." *Id.* at 954:6-10. Mr. Blumberg explained to Mr. Shim that it was a "sweetheart deal"
27 compared to the amount that Samsung would owe going forward under the running royalty rates
28 in Section 3.1 of the SDR/DDR License, and Mr. Blumberg explained to Mr. Shim that the
February 20 Renewal process information accurately Offer was time-sensitive and would be

1 withdrawn if Rambus settled the ongoing litigation with Infineon. *Id.* at 954:17-956:1.
2 Specifically, Mr. Blumberg testified that "I made it clear that this offer was only good until such
3 time as the Infineon settlement occurred." *Id.* at 955:24-956:1. Mr. Blumberg explained that
4 Rambus was in a trial with Infineon that was expected to finish at the end of March, that there
5 was a possibility Rambus would lose its trial with Infineon, and Rambus would be willing to
6 appeal the Infineon loss if it had an agreement in place with Samsung. Trial Tr. at 955:7-956:1.
7 However, Mr. Blumberg told Mr. Shim that if the Samsung agreement was not in place, then
8 Rambus was likely to settle with Infineon, "in which case Rambus would no longer see a value to
9 offering a sweetheart deal to Samsung." *Id.* at 955:19-23. Mr. Blumberg explained to Mr. Shim:
10 "... I believe it would be in the best interest of both our companies to initiate substantive
11 discussions regarding renewal and expansion of license coverage as soon as possible." Exh.
12 4268 at 2. Further, Mr. Blumberg told Mr. Shim that he would be in Tokyo the week of April 5-
13 9 and if "you are available in Tokyo during that time, I would be happy to arrange my schedule to
14 meet with you." Exh. 4268 at 2.

15 bb. On March 21, 2005, Rambus and Infineon signed a settlement agreement.
16 Exh. 4264. On March 22, 2005, Mr. Blumberg sent a facsimile to Mr. Shim informing him of
17 the settlement and attaching a copy of a press release containing certain information. Exh. 4265.
18 Mr. Blumberg's March 22, 2005 letter also gave notice that Rambus was terminating the 2001
19 Amendment per the terms of the Amendment. *Id.* Ten days after notice, the governing
20 agreement was again the 2000 SDR/DDR License.

21 cc. On March 24, 2005, Mr. Shim wrote to Mr. Blumberg and requested a copy
22 of the Infineon Settlement Agreement. Exh. 4267.

23 dd. Mr. Blumberg declined to provide Mr. Shim a copy of the Infineon
24 Settlement Agreement based upon Rambus's confidentiality obligations to Infineon. Trial Tr. at
25 957:7-10; Exh. 4264 (Infineon Settlement Agreement ¶ 12.3). Mr. Blumberg explained to Mr.
26 Shim this restriction on his ability to share the agreement. Trial Tr. at 957:7-10; Exh. 4268 at 1
27 ("Since these agreements are confidential, I cannot disclose any such agreement to you as you
28 have requested."). However, in addition to sending Mr. Shim the press release describing the
Infineon settlement, Mr. Blumberg did later answer Mr. Shim's questions about the Infineon

1 Settlement Agreement after the agreement was signed. Trial Tr. at 957:11-17. In addition, Mr.
2 Shim had a copy of the redacted Infineon Settlement Agreement that was publicly available
3 through Rambus's Securities and Exchange Commission ("SEC") filing in 2005. Trial Tr. at
4 312:20-23 (Mr. Shim's testimony that he saw the redacted copy of the Infineon agreement filed
5 with the SEC); Trial Tr. at 957:18-958:18 (Mr. Blumberg's testimony identifying Exhibit 10324A
6 as the redacted agreement in the SEC filing); Exh. 10324A. The publicly available information
7 about the Infineon settlement disclosed the term of Infineon's license, the fact that neither party
8 could terminate the license for any reason prior to its expiration, the dismissal of litigation
9 between the parties, the amount of the three payment caps, the amount of the quarterly payments,
10 the scope of the patents covered, the scope of the products licensed, and the confidentiality
11 obligations under the agreement. Exh. 10324A.

12 ee. On April 1, 2005, Mr. Blumberg wrote to Mr. Shim and withdrew Rambus's
13 February 20 Renewal Offer. Exh. 4268.

14 ff. Mr. Blumberg and Mr. Smith met with Mr. Shim on April 7, 2005 at a coffee
15 shop at the Grand Hyatt in Tokyo. The "primary focus of Mr. Shim's interest in the meeting" was
16 "discussing and getting more details about the Infineon agreement." Trial Tr. at 960:8-12.
17 During that meeting, Mr. Blumberg told Mr. Shim that "the Infineon agreement involved a lump
18 sum payment and that there was no royalty rate that would be comparable in any way or that
19 would trigger Section 3.8 of that 2000 agreement." At the April 7, 2005 meeting, Mr. Shim,
20 according to Mr. Blumberg, did not make any proposal of any kind. Trial Tr. at 961:15-16. On
21 direct examination on September 23, 2005, Mr. Shim first testified that he did not recall any
22 specific terms being discussed at the April 2005 meeting in Tokyo. Trial Tr. at 330:15-24. The
23 next day, on re-direct, he testified that at the April 2005 meeting in Tokyo, Samsung made a
24 renewal proposal with terms "consistent with what was in place for Infineon" including coverage
25 of all patents and all DRAM products, a five year capture period, and "some scale version of
26 Infineon royalty rate." *Id.* at 447:4-448:17. However, he could not recall specific terms of a
27 Samsung proposal.

28 gg. On May 11, 2005, the parties met in Tokyo at Samsung's offices. Trial

1 Tr. at 961:17-21. Mr. Blumberg and Mr. Smith attended on behalf of Rambus. *Id.* at 962:19-21.
2 At this meeting, Mr. Shim suggested some "high-level terms" that Samsung thought "would have
3 to be included in a renewal." *Id.* at 962:22-963:12. Mr. Shim did not propose any specific price
4 terms other than to say that price needed to be "in line with the Infineon deal." *Id.* at 963:13-21.
5 Mr. Shim did not "go into any details about what in line meant or in that neighborhood might
6 have been." *Id.* Mr. Shim did not mention any numbers. *Id.* at 963:22-23. In response to these
7 high level terms from Mr. Shim, Mr. Blumberg explained that a broad license such as that
8 requested by Mr. Shim would be difficult for Rambus, but that "it was a possibility if we could
9 agree on a reasonable price for such a license." *Id.* at 963:24-964:6.

10 hh. At the April 7, 2005 or the May 11, 2005 meeting, Mr. Blumberg told Mr.
11 Shim that Rambus would be happy to continue with the terms of the original SDR/DDR License
12 in a renewal. Trial Tr. at 1012:25-1013:11. He does not recall whether coverage for DDR2 was
13 discussed. *Id.* at 1013:12-14.

14 ii. On May 18, 2005, Mr. Blumberg sent a further proposal to Mr. Shim. In this
15 proposal, Mr. Blumberg explained that based on recent events related to the DOJ investigation of
16 Samsung for price-fixing, the parties' discussions to date, and the "very short time available to us
17 to conclude a deal," Rambus had "determined that we cannot reach, on agreeable terms, the five
18 year patent license renewal deal you desire." Exh. 4271. Instead, Mr. Blumberg proposed that
19 "we focus on one of the options we have already discussed, namely, a one year standstill
20 agreement between the parties." *Id.* He reiterated that "[c]onclusion of such an agreement before
21 July 1 remains a top priority for Rambus." *Id.* Then, Mr. Blumberg set forth a series of specific
22 terms for a one year standstill, with price terms that would provide Samsung "the prorated
23 amount paid for such quarter by Infineon . . . multiplied by the ratio of Samsung's DRAM
24 revenue for such quarter compared to Infineon's DRAM revenue for such quarter." *Id.* This
25 amount paid under the standstill was to be a credit against royalties owed for Samsung's DRAM
26 sales during the standstill period once the parties had negotiated a new license. *Id.* According to
27 Mr. Blumberg, at the time he sent the May 18, 2005 standstill proposal, the parties had been
28 discussing the possibility of (a) doing a renewal based on the 2000 SDR/DDR License, (b) doing
a renewal based on the terms that Samsung had requested, provided that the price was mutually

1 agreeable, or (c) entering into a standstill. He testified that any one of those three options would
2 have been acceptable to Rambus. Trial Tr. at 1045:21-1046:5.

3 jj. In the May 18, 2005 standstill proposal, Mr. Blumberg stated that he was
4 looking forward to discussing the proposal with Mr. Shim on May 24, 2005. Exh. 4271.

5 kk. On May 24, 2005, Mr. Blumberg, Mr. Smith, and Mr. Danforth met with Mr.
6 Shim and his team at Rambus's offices in Los Altos, California. Trial Tr. at 964:19-965:3. The
7 purpose of the meeting was to get Samsung's feedback on the May 18 proposal and to "move
8 forward on renegotiating a standstill agreement." Trial Tr. at 965:6-9. Mr. Blumberg told Mr.
9 Shim why he proposed a standstill rather than a renewal. Trial Tr. at 965:10-966:17 (explaining
10 that because Samsung had uncertainty about the enforceability of Rambus's patents and because
11 Samsung appeared unwilling to pay a significant amount of money for a renewal, a standstill
12 made sense because it allowed the parties more time to assess the uncertainties and "more time to
13 negotiate comfortably a full renewal agreement"). In response, Mr. Shim agreed that the parties
14 "did not seem to be converging on a renewal deal" and was "open to the discussion of the
15 standstill." Id. at 966:18-22. However, he did not tell Rambus what price Samsung would be
16 willing to pay for a standstill or a renewal. Trial Tr. at 966:23-967:9.

17 ll. During both the May 11, 2005 and May 24, 2005 meetings, there was
18 discussion of Rambus's concern about Samsung's potential involvement in antitrust violations.
19 Trial Tr. at 967:10-13. This issue was also mentioned in Mr. Blumberg's May 18 standstill offer.
20 Exh. 4271. Mr. Blumberg explained that the antitrust issues came up because "Samsung had
21 indicated [in the renewal negotiations] that it would require a full release of all past liability,
22 including all antitrust liability in the renewal agreement." Trial Tr. at 967:16-20. Mr. Shim
23 acknowledged this. Trial Tr. at 331:19-332:6. Mr. Blumberg elaborated that "in order to
24 evaluate and properly value the antitrust release, [Rambus] needed to discuss this [antitrust]
25 evidence and those issues with Samsung." Trial Tr. at 968:4-6.

26 mm. Throughout the negotiations, Mr. Blumberg "kept telling Mr. Shim I wanted
27 to engage in negotiations to get that deal done. I thought the relationship between the companies
28 was an important one for both companies and I didn't want the lack of this agreement to be an
impediment to that relationship." Trial Tr. at 1044:10-22. Further, Mr. Blumberg testified that

1 "at every opportunity, I encouraged Mr. Shim to engage with me in negotiations for a renewal
2 because, among other things, that was one of the main focuses of my job." *Id.* at
3 1044:23-1045:1.

4 nm. On June 3, 2005, Mr. Shim sent Mr. Blumberg Samsung's standstill offer.
5 Exh. 4273; Trial Tr. at 968:10-13. Samsung's June 3 standstill offer proposed a \$3.5 million
6 payment for the second quarter of 2005, and \$3.5 million per quarter payments for the one-year
7 standstill. Exh. 4273, §§ 4, 7. It proposed that the parties would negotiate a five-year renewal in
8 good faith no later than the start of the fourth quarter of 2005. *Id.* at § 5. For that renewal
9 agreement to be negotiated, the term would be no less than five years with the royalty paid in
10 unspecified "fixed quarterly payments," the covered products would include all DRAM,
11 including DDR2+ and XDR, all Rambus patents would be covered, and there would be a \$200
12 million cap on any payments. *Id.* at §§ 8-8.4. Samsung's June 3 proposal had a most favored
13 licensee provision that provided Samsung's royalty "under the Renewal Agreement will be
14 effectively less than that of any other future Rambus licensees" and Samsung will get "the right
15 to audit future third party license agreements and replace financial terms of the Renewal
16 Agreement with those provided in any future third party license." *Id.* at § 9. The June 3 proposal
17 also suggested that if any one Rambus patent was ruled unenforceable by any court, regardless of
18 whether the ruling was final or later overturned on appeal, Samsung would have the option to
19 terminate the renewal agreement and all sales of Licensed Products prior to termination would be
20 deemed licensed and paid in full. *Id.* at § 10. Mr. Blumberg testified that the proposal "shocked"
21 him and was "particularly troubling" because it seemed "incredibly one-sided." Trial Tr. at
22 1050:15-1051:9.

23 oo. The parties met again on June 6, 2005 in Santa Clara, California. Trial
24 Tr. at 968:16-23. Mr. Blumberg, Mr. Danforth, and Mr. Smith attended on behalf of Rambus
25 and Mr. Shim and some of his associates attended on behalf of Samsung. *Id.* at 968:24-969:3.
26 At that meeting, Mr. Shim explained his June 3 proposal, but never provided calculations or
27 numbers to explain how he derived the \$3.5 million per quarter payment proposal or the \$3.5
28 million proposal for the second quarter of 2005. Trial Tr. at 969:9-971:18. Instead, Mr. Shim
spoke only in high level terms, stating that "due to the uncertainty of the value of Rambus's

1 patents, Samsung was not comfortable paying more than that amount." *Id.* In response, Mr.
2 Blumberg explained that Rambus was "extremely concerned and worried that this was a low ball
3 offer that Samsung was throwing on the table as if throwing down the gauntlet to say either take
4 this offer or there will be other results." *Id.* at 971:19-972:2. Specifically, Rambus's
5 representatives told Mr. Shim that "we were concerned that if we did not accept this offer, it was
6 his and Samsung's intention to file suit against Rambus." *Id.* at 972:3-6. During the June 6, 2005
7 meeting, Rambus reiterated its willingness to negotiate a deal "along the lines of" Rambus's May
8 18 proposal. Trial Tr. at 972:7-15. Samsung did not accept Rambus's May 18 proposal. *Id.* at
9 972:16-21. Then, Rambus offered another proposal—this time a 30-day standstill proposal that
10 addressed some of Rambus's concerns about Samsung initiating litigation. Trial Tr. at
11 972:22-973:8; Exh. 4275. Mr. Shim and his colleagues took a break from the negotiations to
12 privately confer for approximately an hour about the 30-day standstill proposal. Trial Tr. at
13 973:9-20. When they returned, they rejected Rambus's offer. *Id.* at 973:21-24. At no point
14 during the renewal negotiations did Samsung make an offer for renewal that included a price.
15 Trial Tr. at 974:13-16. During these renewal negotiations, no one from Samsung ever told Mr.
16 Blumberg that Section 8.5 of the SDR/DDR License required Rambus to give Samsung the
17 Infineon settlement deal. Trial Tr. at 973:25-974:6 (Mr. Blumberg's testimony that the first time
18 he had heard that theory from Samsung was during trial).

19 pp. Samsung's 30(b)(6) corporate designee on the 2005 license negotiations,
20 Seung Bum Ko, testified that "Rambus, as well as Samsung also, made its best good faith [effort]
21 to cooperate for a renewal negotiation." V109 (7/25/08 Depo. of S.B. Ko at 199:24:200:1).
22 Exhibit 9270 (30(b)(6) notice, topic 15).

23 qq. Rambus brought two pre-prepared letters to the June 6, 2005 meeting.
24 Trial Tr. at 1030:22-24. One letter contained a 30-day standstill that gave Rambus the unilateral
25 right to initiate any future litigation between the parties in the forum of its choice, and the other
26 letter terminated the 2000 SDR/DDR Agreement due to Samsung's alleged failure to comply with
27 the auditing provisions of the license. Trial Ex. 4275 (Unexecuted 30-day Standstill Agreement,
28 dated June 6, 2005); Trial Ex. 4276 (Letter from J. Danforth to J. Shim re: terminating 2000
SDR/DDR Agreement, dated June 6, 2005); Trial Tr. at 304:5-14, 1030:25-1031:2, 1032:1-5.

1 Any bad faith by Rambus in connection with its purported termination of the 2000 SDR/DDR
 2 Agreement was not a substantial factor in the parties' failure to reach an extension or renewal
 3 agreement as the parties' had irreconcilable differences on the value of Rambus's technology.

4 rr. Rambus filed patent infringement lawsuits against Samsung on June
 5 6, 2005 in the Northern District of California. (Complaint for Patent Infringement and Jury
 6 Demand, Case No. C-05-02298, dated June 6, 2005; First Amended Complaint for Patent
 7 Infringement and Jury Demand, Case No. C-05-00334, dated June 6, 2005).

8 CONCLUSIONS OF LAW

9 A. **Rambus Breached the SDR/DDR License By Failing to Give Samsung the Benefit of 10 the Royalty Rate Obtained By Infineon in its Settlement with Rambus**

11 1. **"Royalty Rate" Includes the Quarterly Installment Payments in the 12 Rambus/Infineon License Agreement**

13 The parties dispute whether the Rambus/Infineon Settlement Agreement involved
 14 a "royalty rate" as that term is used in Section 3.8 (most favored licensee provision) in the 2000
 15 SDR/DDR License between Rambus and Samsung. Rambus was required to extend to Samsung
 16 any "royalty rate agreed to be paid . . . by a Third Party . . . for products corresponding to SDR
 17 SDRAM, DDR SDRAM, SDR SGRAM, DDR SGRAM [that] is lower than that specified in
 18 Section 3.1(b)" of the SDR/DDR License. Exh. 4226 § 3.8 (emphasis added). The issue
 19 presented is one of contract interpretation. California's rules of contract interpretation apply. *Id.*
 20 at § 9.1.

21 "The fundamental goal of contractual interpretation is to give effect to the mutual
 22 intention of the parties." *Powerine Oil Co. v. Superior Court*, 37 Cal. 4th 377, 390 (2005). The
 23 mutual intent of the parties is to be inferred, if possible, from the written provisions of the
 24 contract. Cal. Civ. Code § 1639. Samsung contends that the term "royalty rate" in the 2000
 25 SDR/DDR License applies to the \$5.85 million quarterly payments under the Infineon Settlement
 26 and License Agreement. Rambus argues that "royalty rate" refers to "running royalty rates"
 27 computed as a percentage of sales and does not include the quarterly installment payments agreed
 28 to by Infineon. Rambus further argues that what the parties contemplated by Section 3.8 was the
 identification of a "lower royalty rate" from a third-party agreement that could be applied to

1 Samsung in a straight forward manner and "be subject to automatic application" with no
2 negotiation between the parties necessary to effectuate its provisions.

3 The plain language of Section 3.8 supports Samsung's interpretation. It reflects an intent
4 to protect Samsung from competitive disadvantage. *See, e.g., Cardinal of Adrian, Inc. v.*
5 *Amerock Corp.*, 208 U.S.P.Q. 822, 823 (E.D. Mich. 1979) ("The most favored nation clause is
6 intended to guarantee . . . that no licensee will be given the *opportunity* to use this patent at a
7 more favorable rate."). This intent is reinforced by the "Whereas" clauses which state that
8 Rambus intends to charge future licensees more than that paid by Samsung.

9 The term "royalty rate" is understood to include lump sum payments for the use of
10 technology. "Technical words are to be interpreted as usually understood by persons in the
11 profession or business to which they relate, unless clearly used in a different sense." Cal. Civ.
12 Code § 1645; *see Denver D. Darling, Inc. v. Controlled Env'ts Const., Inc.*, 89 Cal. App. 4th
13 1221, 1236 (2001). Courts have noted that the term "royalty rate" or "rate of royalty" within the
14 field of patent licensing is generally understood to include lump-sum payments of various types.
15 *See, e.g., Hazeltine Co. v. Zenith Radio Co.*, 100 F.2d 10, 16 (7th Cir. 1938) (noting that the
16 court could not "escape the conclusion that a provision in a patent-license contract which
17 provides for the payment of fixed sum of money per fixed period of time for the use of a patented
18 invention states a rate of royalty within the generally understood and recognized meaning of that
19 phrase"); *Cardinal of Adrian, Inc.*, 208 U.S.P.Q. at 823. Samsung's economic expert, Dr. Keith
20 Ugone, gave essentially un rebutted expert testimony that the term "royalty rate" in licensing
21 agreements can refer to a number of different royalty structures, including the variable royalty
22 rate found in the Infineon Settlement and License Agreement.

23 Rambus itself used "royalty rate" to refer to the installment payments by Infineon under
24 its settlement agreement with Rambus. In its SEC filings, Rambus used the terms "royalty,"
25 "rate" and "royalty rate" to describe the payment terms in the Infineon Settlement and License
26 Agreement, including specifically the \$5.85 million quarterly rate.

27 Interpretation of the term "royalty rate" to not include quarterly lump sum payments
28 would fly in the face of what the parties intended to accomplish by Section 3.8. Although the
mutual intent of the parties is to be determined, if possible, from the written provisions of the

1 contract, the court must consider extrinsic evidence that is "relevant to prove a meaning to which
2 the language of the instrument is reasonably susceptible." *Pac. Gas & Elec. v. Thomas Drayage*
3 *& Rigging Co.*, 69 Cal. 2d 33, 37 (1968). The negotiations leading up to the execution of the
4 2000 SDR/DDR License clearly show that the intent of the parties was to ensure that Samsung
5 would not be at a competitive disadvantage with third parties specifically including Infineon.
6 Geoff Tate, Rambus's Chief Executive Officer, assured Samsung that Rambus would charge
7 Infineon, Hynix, and Micron "substantially higher license fees and royalty rates." Exh. 4218.
8 Neil Steinberg reassured Samsung during negotiation of the 2000 SDR/DDR Agreement that he
9 had modified the language in a related section of the agreement to "provide language expressing
10 the fundamental intent of Section 3.9 that Samsung not be put at a competitive disadvantage as a
11 result of entering into the Agreement." Exh. 4216. Rambus at the time the SDR/DDR License
12 was signed desperately needed an alliance with Samsung and, therefore, was willing to assure
13 Samsung of favored treatment.

14 The mutual intent of Rambus and Samsung as determined by the words used in the
15 SDR/DDR License and the extrinsic evidence detailing the surrounding circumstances in which
16 they negotiated the contract supports Samsung's interpretation of "royalty." A review of the parol
17 evidence shows that Section 3.8 is reasonably susceptible, in fact only susceptible, to the
18 interpretation urged by Samsung.

19 **2. The Rambus/Infineon Settlement Triggered Rambus's Obligation to**
20 **Samsung Under Section 3.8 of the 2000 SDR/DDR License**

21 The Infineon Settlement and License Agreement (i.e., the variable royalty rate as set forth
22 in Article 6) contains a "royalty rate" agreed to be paid by Infineon for, among other things, the
23 products that were specified in Section 3.8 of the 2000 SDR/DDR Agreement. Specifically, the
24 royalty rate agreed of \$5.85 million per quarter that Infineon agreed to pay for, among other
25 things, the relevant products subject to Samsung's most favored licensee rights was clearly
26 "lower than [Samsung's royalty rate as] specified in Section 3.1(b)" for the second quarter of
27 2005. Pursuant to Section 3.8 of the 2000 SDR/DDR Agreement, Rambus was obligated to
28 make that rate effective for Samsung as of April 1, 2005, "the first day of the royalty reporting
period in which written notice" was required by the reinstatement of Section 3.8 following

Rambus's termination of the 2001 Amendment. "It is likely to be generally true that a licensor's grant of more favorable terms is supported by a sound business reason, but the benefit of more favorable terms is exactly what the person whose license includes an MFL clause has bargained for and to which he is entitled." *Studiengesellschaft Kohle m.b.H. v. Novamont Corp.*, 704 F.2d 48, 53 (2d Cir. 1983); see *Cardinal of Adrian*, 208 U.S.P.Q. at 823 ("[W]here a patent licensor has later granted a paid up license for a sum certain, a licensee who has a most favored nation clause is entitled to a paid-up license for the same sum.").

3. Rambus Breached Section 3.8 of the 2000 SDR/DDR License Agreement

The elements of a claim for breach of contract are: "(1) the contract; (2) plaintiff's performance or excuse for nonperformance; (3) defendant's breach; and (4) the resulting damages to plaintiff." See, e.g., *Reichert v. Gen. Ins. Co. of Am.*, 68 Cal. 2d 822, 830 (1968). There is no dispute that the parties entered into a contract (2000 SDR/DDR License). Samsung performed. (Rambus's claim that Samsung failed to comply under the audit provision was not proved). Samsung was damaged when Rambus refused to make the \$5.85 million per quarter royalty rate paid by Infineon effective for Samsung on April 1, 2005.² Samsung has established by a preponderance of evidence that Rambus breached the 2000 SDR/DDR License by such refusal.

4. Rambus Failed to Prove that Samsung Breached the Audit Provision of the SDR/DDR Agreement

² Rambus has not sought to recover royalties that otherwise would be due under the license for the second quarter of 2005. Rambus purportedly terminated the license based on the alleged audit breach on June 6, 2005, which was before both the end of the license term (June 30, 2005) and the date when Samsung's payment obligation for the second quarter of 2005 otherwise would have come due. (Exh. 4226 at § 4.2). Rambus did not have a right to terminate the license based on the audit breach. As a result, Rambus's decision to terminate the license in favor of suing Samsung before the end of the license term constituted a repudiation of the license and hence a material breach of it. See, e.g., *Sackett v. Spindler*, 248 Cal. App. 2d 220, 229 (Cal. App. 1st Dist. 1967) (noting that a party that terminates a contract based on anything less than a material breach by its counterparty unlawfully repudiates the agreement and places it "in total breach" of the contract); 13-68 Corbin on Contracts § 68.3 ("If under the circumstances, however, a party's breach is a total breach, the injured party's duty of performance is discharged, including the obligation to compensate, on the contract, for any part performance."). As a result, Rambus cannot enforce the license to recover royalties that otherwise would have been due for the second quarter of 2005. See *Cox v. Ocean View Hotel Corp.*, 533 F.3d 1114, 1121 (9th Cir. 2008); *De Burgh v. De Burgh*, 39 Cal. 2d 858, 863 (Cal. 1952); *Kaiser Trading Co. v. Associated Metals & Minerals*, 321 F. Supp. 923, 929 (N.D. Cal. 1970).

Rambus claims it properly terminated the 2000 SDR/DDR Agreement on the basis that Samsung breached its audit obligations under Section 4.1 of that agreement. However, Rambus did not establish such a breach by a preponderance of the evidence. Rambus did not offer any exhibits that were delivered to Samsung that revealed the alleged underpayment and Rambus accepted Samsung's royalty payment for the first quarter of 2005 without objection. In addition, the timing and circumstances existing at the time Rambus purportedly terminated the 2000 SDR/DDR Agreement suggest that Rambus's purported termination for the alleged audit breach was pretextual and the real reason was the advantage it sought it could achieve by instituting a lawsuit for patent infringement.

B. Rambus Did Not Breach the SDR/DDR License By Failing to Negotiate in Good Faith An Extension or Renewal

1. Section 8.5 Did Not Require Rambus to Offer an Extension or Renewal that Covered DDR2 SDRAM and Subsequent Product Generations

Under Section 8.5 of the 2000 SDR/DDR License the parties agreed "to negotiate in good faith with a view to achieving a mutually satisfactory patent license agreement under the Rambus Patents *with respect to Licensed Products*, including, without limitation, an extension hereof or a new agreement." (Emphasis added). Samsung contends that Section 1.7's definition of "DDR/SDRAM(s)" includes DDR2 SDRAM and subsequent product generations and, therefore as "Licensed Products" were required to be included in the parties' attempt to achieve a "mutually satisfactory patent license agreement." Rambus maintains that Samsung's DDR2 and subsequent product generations are beyond the scope of DDR SDRAM as defined in Section 1.7.

As previously discussed, under California law "[t]he fundamental goal of contractual interpretation is to give effect to the mutual intention of the parties" (*Powerine Oil Co.*, 37 Cal. 4th at 390) and the mutual intent of the parties is to be inferred, if possible, from the written provisions of the contract. Cal. Civ. Code § 1639. Nevertheless, the court must consider extrinsic evidence that is "relevant to prove a meaning to which the language of the instrument is reasonably susceptible." *Pac. Gas & Elec.*, 69 Cal. 2d at 37. The plain language of Section 1.7 supports Rambus's position that Samsung's DDR2 products are not covered because they are not identical to the eight specific Samsung products identified in Section 1.7, nor do they merely add one of the approved differences set forth in Section 1.7. Further, during negotiation of the 2000

1 SDR/DDR License Rambus, as acknowledged by Samsung, did not want the Agreement to cover
2 future DRAM generations and did not budge from its originally proposed definition of "Licensed
3 Products."

4 Samsung argues that Mr. Steinberg represented to Mr. Shim during the negotiations that
5 the Agreement as proposed covered evolutionary changes and that all of the differences between
6 Samsung's DDR and DDR2 products are evolutionary changes. What Mr. Steinberg did say in
7 an email was that he felt that Section 1.7 "adequately covers devices which may have
8 evolutionary (as opposed to revolutionary) differences from the devices specified by part
9 number." Exh. 4216 at 1. Mr. Steinberg did not represent that all evolutionary changes would be
10 covered, nor did the parties ever discuss what each understood "evolutionary" to mean. Most
11 importantly, the Agreement did not use the term "evolutionary" or "revolutionary." The language
12 of the SDR/DDR License is not reasonably susceptible to an interpretation that any change that is
13 "evolutionary" is covered by the approved listed differences in Section 1.7. Therefore, Rambus
14 had no good faith obligation under Section 8.5 to include Samsung's DDR2 and subsequent
15 product generations in the parties' attempt to achieve a "mutually satisfactory patent license
16 agreement."

17 **2. The Parties Never Agreed Expressly or Impliedly that Samsung Would**
18 **Receive Most Favored Licensee Protection in a Renewal of the SDR/DDR**
License or in a New Patent License Agreement

19 Samsung sought during negotiation of the SDR/DDR Agreement assurance that it would
20 continue to have most favored licensee status following the expiration of the Agreement. When
21 Samsung signed the SDR/DDR Agreement, there was no provision promising a most favored
22 royalty condition in any extension or new patent license. However, Mr. Shim and Mr. Steinberg
23 had agreed to negotiate an amendment to the SDR/DDR Agreement to address this concern. Mr.
24 Shim sent Mr. Steinberg a proposal shortly after the SDR/DDR Agreement was executed and Mr.
25 Steinberg shortly thereafter sent a proposed revised amendment. Mr. Shim did not respond and
26 neither proposed amendment was ever signed. Samsung did not respond to Mr. Steinberg's
27 proposal because Samsung believed "about this time, and for the period of many months that
28 followed, there were some serious concerns as to Rambus's I.P., and we were reviewing many
different aspects of lawsuits that were going on." Trial Tr. at 248:19-22. Therefore, no most

1 favored royalty or licensee provision can be incorporated into the SDR/DDR License either
2 expressly or impliedly because (1) one was never agreed to and (2) Section 10.9 of the
3 SDR/DDR Agreement required any "alteration, amendment, waiver, cancellation or any other
4 change in any term or condition of [the] Agreement . . . [to] have been mutually assented to in
5 writing by both parties." Exh. 4226, § 10.9.

6 Samsung's contends that the covenant of good faith and fair dealing implied in the 2000
7 SDR/DDR Agreement required Rambus to offer an extension or a new patent license agreement
8 that recognized most favored licensee status for Samsung. The implied covenant of good faith
9 and fair dealing that exists in all contracts is limited to assuring compliance with the express
10 terms of the contract, and cannot be extended to create obligations not contemplated in the
11 contract. *Racine & Laramie, Ltd. v. Department of Parks & Recreation*, 11 Cal. App. 4th 1026,
12 1032 (1993). No express term of the 2000 SDR/DDR License required Samsung to be given
13 most favored licensee status on renewal of the License or in a new patent license agreement. The
14 parties had an obligation to negotiate in good faith, but despite discussing the inclusion of a most
15 favored licensee provision in Section 8.5 of the 2000 SDR/DDR Agreement, the parties for
16 whatever reason, knowingly did not do so and thus their good faith obligation did not include
17 negotiation of most favored licensee protection.

18 **3. The Failure of the Parties to Negotiate an Extension to the SDR/DDR**
19 **Agreement or a Mutually Satisfactory New License Agreement Was Not**
20 **Caused by Any Lack of Good Faith**

21 Rambus initiated renewal negotiations in July 2004, which was well before the six month
22 deadline required by Section 8.5 of the 2000 SDR/DDR License for the commencement of
23 negotiations. Rambus made an offer for renewal on February 20, 2005. Samsung never accepted
24 Rambus's February 20, 2005 Renewal Offer. Samsung's assertion that this offer was withdrawn
25 in bad faith before Samsung had a chance to respond to it is not supported by the evidence. To
26 the contrary, the evidence demonstrates that Samsung had nearly six weeks to consider that
27 renewal offer, was informed that the offer was time sensitive and was warned that it would be
28 withdrawn in the event that Rambus settled with Infineon. Rambus met with Samsung
representatives on March 8 to discuss the renewal offer nearly a month before it was ultimately
withdrawn.

1 After Rambus settled with Infineon and withdrew its February 20 Renewal Offer,
2 Rambus continued to make efforts to negotiate with Samsung. Rambus presented several options
3 for renewal and for a standstill agreement between April 1, 2005 and June 6, 2005. The May 18
4 standstill offer from Rambus was not in bad faith even though it did not offer a full renewal or
5 extension. The evidence demonstrated that both parties thought it made sense to switch to a
6 standstill given the uncertainties about a renewal expressed by both sides. Moreover, Mr.
7 Blumberg testified that the goal of a standstill agreement was to reach resolution of the dispute
8 before the expiration of the SDR/DDR License in such a way that it allowed more time for the
9 parties to negotiate and come to agreement on a renewal or extension.

10 Rambus considered Samsung's June 3 offer to be a low-ball offer with one-sided terms,
11 and as a result, was worried Samsung was not taking the negotiation seriously. However, the
12 pretextual termination of the SDR/DDR License and filing suit against Samsung at the end of
13 their negotiation session on June 6, 2005, the date that turned out to be their last day of
14 negotiation, was not part of a good faith negotiation but rather a tactic designed to gain a
15 litigation advantage if Rambus decided that the parties were not going to reach agreement.
16 However, that tactic did not cause the parties' failure to reach agreement. As of June 6, 2005 the
17 parties clearly had irreconcilable differences about the value of a license of Rambus's patents.

18 "Good faith [does] not require [a party] to accede to . . . one-sided modifications."
19 *Auerbach v. Great Western Bank*, 74 Cal. App. 4th 1172, 1191-92 (1999). *See also Phoenix*
20 *Mut. Life Ins. Co. v. Shady Grove Plaza Ltd. Partnership*, 734 F. Supp. 1181, 1190 (D. Md.
21 1990) ("The duty [to bargain in] good faith . . . does not prohibit a party from bargaining to its
22 own economic advantage . . ."). As stated by the Seventh Circuit in *A/S Apotekernes*
23 *Laboratorium for Specialpraeparater v. I.M.C. Chem. Group*, 873 F.2d 155, 159 (7th Cir. 1989):

24 In a business transaction both sides presumably try to get the best of the deal.
25 That is the essence of bargaining and the free market. And in the context of this
26 case, no legal rule bounds the run of business interest. So one cannot characterize
27 self-interest as bad faith. No particular demand in negotiations could be termed
dishonest, even if it seemed outrageous to the other party. The proper recourse is
to walk away from the bargaining table, not to sue for "bad faith" in negotiations.

28 The failure of the parties to agree did not result from the breach of the duty to negotiate in good
faith.

1 **4. Even If Rambus Breached an Obligation to Negotiate in Good Faith,**
 2 **Samsung Has Not Proved an Entitlement to Damages**

3 In *Copeland v. Baskin Robbins U.S.A.* the California court of appeals recognized
 4 that a cause of action exists under California law for breach of a contract to negotiate. 96 Cal.
 5 App. 4th 1255-60 (2002). The court, however, cautioned that the "uncertain concept" of "bad
 6 faith" should not permit an aggrieved party to claim the benefit of a contract that was never
 7 consummated and restricted the damages available to a plaintiff in duty-to-negotiate cases: "the
 8 appropriate remedy for breach of a contract to negotiate is not damages for the injured party's lost
 9 expectations under the prospective contract but damages caused by the injured party's reliance on
 10 the agreement to negotiate." *Id.* at 1260-61. The court further explained:

11 For obvious reasons, damages for breach of a contract to negotiate an agreement
 12 are measured by the injury the plaintiff suffered in relying on the defendant to
 13 negotiate in good faith. This measure encompasses the plaintiff's out-of-pocket
 14 costs in conducting the negotiations and may or may not include lost opportunity
 costs. The plaintiff cannot recover for lost expectations (profits) because there is
 no way of knowing what the ultimate terms of the agreement would have been or
 even if there would have been an ultimate agreement.

15 *Id.* at 1262-63.

16 Here, Samsung did not seek nor offer evidence of any damages sustained in reliance upon
 17 Rambus's commitment to negotiate a renewal agreement in good faith. Samsung seeks only
 18 expectation damages—that is, the value of a renewal or new agreement that the parties never
 19 made. For this reason, even if it had been able to prove that Rambus breached its duty to
 20 negotiate in good faith for a renewal agreement, Samsung would not be entitled to expectation
 21 damages.

22 **C. Samsung's Affirmative Defense of Equitable Estoppel**

23 Samsung argues that Rambus should be equitably estopped from seeking patent
 24 infringement damages beyond the royalties paid by Infineon for the products that would have
 25 been covered by the renewal license Samsung contends that Rambus was obligated to enter.
 26 Samsung bases its argument on the assurances Rambus made to Samsung during the negotiation
 27 of the 2000 SDR/DDR License that Samsung would have a competitive advantage over those
 28 who chose to litigate with Rambus, by fulfilling its obligations under the 2000 SDR/DDR

1 Agreement and by its willingness to negotiate in good faith under Section 8.5 of the 2000
2 SDR/DDR License.

3 To establish an estoppel defense, Samsung had the burden to prove: "(a) a representation
4 or concealment of material facts (b) made with knowledge, actual or virtual, of the facts (c) to a
5 party ignorant, actually and permissibly, of the truth (d) with the intention, actual or virtual, that
6 the ignorant party act on it, and (e) that party [relied] on it [to his injury]." 13 Witkin, Summary
7 10th (2005) Equity, § 191 at 527-28; *Wood v. Blaney*, 107 Cal. 291, 295 (1895); *Wells Fargo*
8 *Bank v. Bank of America*, 32 Cal. App. 4th 424, 438 (1995). Moreover, in order to meet the
9 reliance requirement, the party seeking an estoppel must demonstrate that the reliance was
10 reasonable. *Martinez v. Scott Specialty Gases, Inc.*, 83 Cal. App. 4th 1236, 1248 (2000) (holding
11 that "[e]stoppel requires, among other things, reasonable reliance on the other party's actions" and
12 rejecting estoppel where "plaintiffs could not reasonably have been misled") (emphasis in
13 original). Samsung did not establish that it could reasonably have relied on Rambus's alleged
14 promises that Samsung would be granted protections vis-à-vis its competitors in litigation with
15 Rambus beyond those set forth in the language of the 2000 SDR/DDR License itself. Samsung is
16 a sophisticated company that was represented by experienced lawyers in the 2000 licensing
17 negotiations with Rambus. The parties, through their lawyers, established a fully-integrated
18 written agreement that expressly established California law as the applicable state law. In
19 California, the Supreme Court had long held that, under the parol evidence rule, evidence of prior
20 or contemporaneous agreements or understandings between the contract negotiators cannot be
21 used to "add to, detract from, or vary the terms" of the parties' written agreement. *Pacific Gas &*
22 *Elec. Co.*, 69 Cal. 2d at 37. To the extent Samsung purports to have relied upon its own
23 interpretation of Section 3.8 based on extra-contractual statements made by Rambus's negotiators
24 that were not incorporated into the terms of the 2000 SDR/DDR License, such reliance was
25 inherently unreasonable. Samsung also could not reasonably have relied on the alleged promise
26 that Rambus would offer the "Infineon deal" in any renewal or extension of the SDR/DDR
27 License because such reliance would have added a promise to Section 8.5 which is not an
28 automatic renewal provision and expressly states that the parties agree only to negotiate in good

1 faith "with a view to achieving a mutually satisfactory" agreement Exh. 4226 at § 8.5. Section
2 8.5 identifies no terms that were to be carried over into any new licensing agreement.

3 **D. Findings of Fact and Conclusions of Law**

4 The disposition of Counts I-III and the affirmative defense of equitable estoppel required
5 by these Findings of Fact and Conclusions of Law will be incorporated into any judgment that is
6 later entered in either of the captioned cases. An unredacted version of these Findings and
7 Conclusions is filed under seal. These Revised Redacted Findings and Conclusions have been
8 prepared in response to Rambus' identification of the portions that should be redacted from the
9 publicly filed copy.

10
11 DATED: 5/14/09



12 RONALD M. WHYTE
13 United States District Judge
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20 **Dated:** 5/14/09 TER
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